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## PROBLEMS OF A STRATEGIC INDEPENDENT WEST EUROPEAN DEFENSE

Paris DEFENSE NATIONALE in French Oct 79 pp 174-175

[Review by A.B. of the book "Euroshima" authored by R. Cagnat, G. Doly and P. Fontaine; Ed. Media, 1979, 175 pages]

[Text] With its catchy title, alluring slenderness and flame-colored jacket, "Euroshima" attracts the eye. But what do these seductive exteriors hold in store for the reader? Regretfully, we confess: a disappointment. "Euroshima"--or Building a Europe on Defense--sets out to show that our democratic Europe cannot survive unless it builds a homogeneous defense integrated at all levels, but its logic is too lacking in exactness to convince.

After a cursory analysis of the global threat that totalitarian imperialism poses to the free world, and of the physical and moral weaknesses of the latter, including the European nations--an analysis with which one could agree were it not for the fact that Soviet Russia itself admits to more shortcomings than the authors are willing to ascribe to it--a rather dogmatic treatise lays down for us the seven cardinal virtues that all strategies must exemplify to be effective. It follows from this that only one great power is able to conceive and conduct a strategy appropriate to itself and conforming to the model.

Western Europe has the means to be a great power: manpower, physical size, economic resources, scientific and industrial potential...But divided, poorly organized, wasteful of its riches, it cannot act like one and must live under the protection of and hence dependent on the United States of America. What was true in 1949 when the North Atlantic Treaty was signed (leaving, we are told, "too much to the full and unlimited sovereignty of the member states") is no longer true in 1979. The overwhelming military superiority of the United States has melted away, nuclear deterrence is no longer what it was, and democratic Europe is today a privileged target for a surprise attack by the Warsaw Pact forces.



In what way, by what means can this situation be resolved? The solution postulated to us is the new Great Power "Europe" based on its security needs: built, that is, upon defense foundations. All its national armed forces are placed on the same footing: command, training, equipment, social conditions; intelligence activities and logistics are joint; national defense policies are perfectly coordinated. And since long-range strategy is fully integrated, short-term policies must also follow suit.

Although not stated in as clear terms as these as regards its latter consequences, there can be no question that this summarizes the general sense of the "Euroshima" doctrine. Obstacles that have unremittingly confronted the building of this ideal Europe, even in the most favorable of moments, are simply swept under the rug: from the pacifist and, even more so, the individualistic tendencies of Europe's nations and their minorities to the estimate of the incredible financial effort they would have to undertake to bring into reality the military means needed for the desired strategic independence. American approval and support of this new Europe is taken for granted, as well as American participation in a two-great-power Atlantic Alliance which the new Europe would then offer it! Soviet apathy toward this profound change in the world military pattern is a foregone certainty!

Skipping over existing problems reduces their credibility dangerously. This team of young authors, which is courageously trying to awaken public opinion to our Europe's vulnerability, must do much more homework as yet to be taken seriously, to transform its current "plea for the defense" into a substantiated case.

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## ANALYSIS OF SOVIET MUTUAL FORCE REDUCTION OBJECTIVES

Paris DEFENSE NATIONALE in French Oct 79 pp 45-53

[Article by Renata Fritsch-Bournazel: "The USSR and Military Detente in Europe in the Era of Suspicion\*"]

[Text] In seeking to enhance its security by too wide a margin, the Soviet Union actually risks defeating its legitimate objectives by arousing the fears of the Europeans. The aim of its European policy, the prospects of a mutual force reduction, and those of nuclear disarmament in Europe are analyzed here by Renata Fritsch-Bournazel, research consultant with the National Political Science Foundation (Center for International Studies and Research), director of training at the Paris Institute of Political Studies, and author of a recent book published by the Foundation's press, on the subject of "The Soviet Union and the Germans" [title of the book] since the Second World War.

In 1969, after years of hesitation, Soviet policy undertook an "opening to the West," which gave rise to a long period of active, bilateral as well as multilateral diplomacy. One after the other in close succession, negotiations were opened between the USSR and the FRG [Federal Republic of Germany] for recognition of the European status quo, between the Soviet Union and the United States for limitation of strategic arms, then among the four powers on the status of Berlin. Concurrently with this series of dialogs, which culminated in 1970 with the Treaty of Moscow between the Soviet Union and the FRG, in 1971 with the Quadripartite Agreement on Berlin, and in 1972 with the Nixon-Brezhnev summit, the USSR made a major effort to have the European status quo ratified, by convening a meeting on European security and cooperation. The USSR spared no concessions to obtain the West's agreement to this plan, especially agreeing to recognize, under the Quadripartite Agreement of September 1971, the joint responsibility of the four powers in Berlin, and agreeing to negotiations on the reduction of military forces in central Europe.

\* [Probably an allusion to former President Nixon's 1969 reference to the start of "an era of negotiation."]

Winning acceptance of a divided European order and of the possibility of large-scale cooperation within that context from the principal opponent of that status quo, the FRG, and by the 35-nation concert of Europe assembled in Helsinki on 1 August 1975 was to represent the fulfillment of a deep-rooted desire the Soviet leadership had nurtured for more than 2 decades. The Helsinki Conference, though originally conceived by the USSR as a terminus in this regard, did, however, weaken the Soviet position on detente, which had been based in part on maintaining a rigid and total internal control over an East Europe unified around a common political system secured by the Warsaw Pact. Although the Soviet Union succeeded in obtaining a confirmation of the status quo in regard both to Germany and to the problem of European security, it nevertheless found it necessary to leave the door open to a possible supervision over the latter and, especially, to agree to accommodate a degree of direct, practical cooperation between the two halves of the German nation. In fact, the recognition accorded to the established order in Europe by both the Treaty of Moscow and the final Agreement in no way narrows down to strictly respecting the territorial status quo and freezing the existing borders, since the principle of peaceful change is equally accepted.

For the USSR, therefore, everything must depend upon its ability to impose its restrictive and static view of detente, narrowing it down to a framework of tightly controlling interstate relations. To achieve this objective, a basic condition to continuation of the East-West dialog, the USSR is counting first on its preponderant role within the socialist community, but also on an improvement in its relations with the West European countries while seeking a European security in which West Europe poses no threat to Soviet interests.

Occupying a central position in this overall strategy is the objective of a military detente to balance the political detente obtained in the CSCE [Conference on Security and Cooperation in Europe], set forth at Helsinki by Leonid Brezhnev when he said that "the keystone of this edifice is a halt in the armaments race, tangible results, that is, in the matter of disarmament."<sup>1</sup> Since then, the Soviet Union has advanced several proposals aimed specifically at a settlement in regard to nuclear weapons, a total and general prohibition on nuclear testing, and even a simultaneous halt by all nations in the production of nuclear weapons.<sup>2</sup> Although military detente thus became the subject of an array of programs and initiatives, many of them within a larger frame of reference, specifically that of the UN, the MFR [Mutual Forces Reductions] conference in Vienna as well as the SALT negotiations, on the other hand, have provided a more concrete determination of the USSR's aims concerning military security in Europe.

#### The Outlook for a Mutual Reduction of Forces in Europe

After 6 years of talks and despite partial concessions by the interested parties, the future of the Vienna negotiations on the reduction of forces and of armaments remains uncertain. The duration of the CSCE was far less

by comparison. However, a close look at the two negotiations, both of which involved a large number of the countries on both sides of the dividing line, reveals that the CSCE, so diligently sought by the USSR, turned out to be a disappointment for it, whereas the MFR negotiations, of which the USSR had been apprehensive in the beginning, proved not only much less disquieting to it but in fact much more promising than they had seemed initially. When the NATO Council proposed to the Warsaw Pact a mutual reduction of conventional forces in Europe, it was with the aim of avoiding a unilateral withdrawal of the American troops stationed on the continent. The Western initiative was taken pursuant to the Harmel report on the new tasks of the Alliance, as voted by the Atlantic Council in December 1967, and at the same time responded to the West German government's desire to guarantee contractually the maintenance of American troops on its soil while pursuing military detente.

The USSR was slow in agreeing to the Nato initiative, and it was January 1972 before the Warsaw Pact finally reached its decision.<sup>3</sup> The Soviet leaders' agreement to this negotiation, the idea of which had been launched by others than they, was intended at the time as a show of good will, in the interest of opening CSCE negotiations, in which the USSR wanted very much to succeed. Basically, on the other hand, the MFR negotiations, agreed to by the USSR merely as a concession to its Western interlocutors, responded to the regional disarmament problems it had been concerned with since the 1950's. Since 1956, the Polish leaders had been making proposals regarding the freezing or limitation of forces and armaments in the two Germanies, in Poland and in Czechoslovakia, the most famous of these being the Rapacki plan in October 1957. Without there necessarily being perfect identity of views between the Poles and the Soviets as to the teleological aspects of this concept, the USSR had made every effort to include similar proposals in its own disarmament overtures. However, the prior condition being set at the time by the members of the Atlantic Alliance, namely, German reunification, had precluded all negotiation.

The Vienna negotiations enabled the USSR to take up again its long-standing concerns with the twofold problem of the West German military forces and the place occupied by the FRG in the European defense system.<sup>4</sup> The desire to limit and monitor the FRG's military power, and to prevent any West European defense organization centered on the Bundeswehr, which together with the American Seventh Army in Europe represents the basis of NATO's conventional deterrent force, is a constant factor in Soviet policy. In this regard, the demand for national ceilings, which is found in all the proposals advanced in Vienna by the Warsaw Pact countries, takes on prime importance. Whereas NATO seeks to maintain for its members a maximum of freedom, permitting the West Europeans to organize their defense without interference from the East Europeans, the setting of national ceilings within the reduction zone aims, on the contrary, to guarantee against any increase in West German military forces. Moreover, the creation in Europe of a specially regulated zone, which could result from the outcome of the

MFR negotiations, would introduce an additional divisive factor among the West European countries and would compromise, probably for a long time to come, the chances of a political reunification that is dreaded and being fought by the USSR.

The fear that the creation in the center of Europe of a lesser armed zone comprising essentially the two Germanies would lead, at least from the defense standpoint, to the dissociation of the FRG from the rest of West Europe, and eventually to its neutralization, was in part at the base of the French proposal to organize a European disarmament conference.<sup>5</sup> This conference would include all the member states of the CSCE and would deal with the issue of confidence before proceeding to take up the problem of effective reduction of armaments within the geostrategic region that is Europe. In a document published by the Bonn government at the time of the recent debate in the Bundestag on defense policy,<sup>6</sup> the FRG stated its support of the French proposal. The FRG saw in this proposal a twofold advantage: It would remedy the drawbacks of a geographic delimitation that might ensue from the MFR negotiations and would bring about French participation in the discussions on arms control.

During a meeting of the Committee of Foreign Ministers on 14-15 May 1979, the member states of the Warsaw Pact took up the French proposal, incorporating in it, however, their own plans.<sup>7</sup> Thus, they proposed that, to strengthen confidence in Europe, a meeting of all the European countries, the United States and Canada be called, specifying that this meeting could start by adopting measures that would contribute to the strengthening of confidence, to a lessening of military tensions, and, finally, to a reduction in the concentration and total strength of armed forces and weapons in Europe.

Two weeks later, Leonid Brezhnev stipulated<sup>8</sup> that the disarmament conference should be distinct from the Madrid conference planned for 1980, the object of which would exceed the disarmament issue alone, since it would cover the three "work sectors" of the CSCE. A meeting on military detente prior to the Madrid meeting could permit a preliminary exchange of views that would be helpful to the work of the pan-European forum. But the Soviets viewed such an initiative mainly as a means of speeding up the MFR negotiations and influencing them more favorably toward the Moscow-defended positions. The Soviets intended, moreover, to considerably broaden Giscard d'Estaing's proposal by further proposing to the disarmament conference the drawing up of a "nonaggression pact" among all the countries signing the final proceedings of the conference, that would commit them to not being the first to use nuclear or conventional weapons against each other.<sup>9</sup>

#### The Problem of Nuclear Disarmament in Europe

Although the Soviet Union is currently trying to reestablish a tie between the MFR and the CSCE by way of the confidence measures that were discussed in the CSCE's security "work sector," the fact is that the subject of



military detente in Europe concerns equally the problems of global security that are at issue in the relations between the two great powers and in the SALT negotiations. From the first informal meeting in Vienna in January 1973, the Soviet Union and its allies objected to the designation MBFR given to the conference by its Austrian organizers, challenging the term "balanced" represented in this acronym. The 14 NATO countries, which had originated the concept of a "balanced" reduction, considered it necessary to correct the geographic imbalances and to diminish the superiority of the Warsaw Pact forces in conventional weapons. The Soviet Union, on the other hand, took the position that an approximate balance already exists in Europe if one takes into account all the constituent elements of a military balance and that the situation in Europe cannot be dissociated from the worldwide forces relationship.<sup>10</sup>

This global approach provided the basis for the USSR position that MFR must take into account the nuclear and aerial components of the strategic balance. To the extent that the tactical air and tactical nuclear weapons of the West gave the latter a strategic advantage directly adjacent to the borders of the socialist countries, the latter having nothing comparable adjacent to United States territory, the Warsaw Pact countries would want to negotiate them taken as a body. NATO, on the other hand, is clearly wary where nuclear disarmament is concerned, since American tactical nuclear weapons play the determinant part in the security of the European continent. However, in a proposal on 16 December 1975, NATO had offered to withdraw a certain number of tactical nuclear weapons (including 1,000 nuclear warheads and 36 Pershing-type land-land missiles) if the USSR agreed in turn to withdraw an entire armored force--that is, 1,700 combat tanks--with all its equipment.<sup>11</sup>

Nevertheless, a wide gap exists between an inclusion limited to certain preselected types of air and nuclear weapons and the comprehensive inclusion sought by the USSR. The nuclear aviation problem is further complicated by the existence of a "gray zone" between the strategic and the tactical nuclear forces that is still not addressed by SALT, nor by the MFR talks.

From the start of the SALT proceedings, the Soviets had demanded that the American nonstrategic nuclear FBS's [Forward Based Systems], which can strike USSR territory from forward bases outside the United States, that is, in Europe, in Asia and at sea, be included in the Soviet-American negotiation.

Likewise, certain of the European allies (including the Bonn government) had asked that the medium-range Soviet missiles deployed against targets located in Western Europe also be included in the SALT negotiations. This demand was dropped, however, in the face of a USSR demand for a quid pro quo limitation, if not the dismantling, of the FBS's.

Since then, the Soviets have addressed the European nuclear issue in the same manner as in other sectors, with the object of establishing at all costs a nuclear parity and counterbalancing the American FBS's as well as the French and British nuclear weapons. Thus, the Soviet Union has developed its current so-called "Eurostrategic" weapons programs, articulated around the Backfire supersonic bomber and the mobile SS 20 missile equipped with three independently targetable nuclear warheads. Nato, for its part, intends to react rapidly to the threat posed to Europe by the Warsaw Pact forces' accelerated deployment of these medium-range weapons systems, and has deemed it necessary to restore balance by also installing new weapons systems on European soil. These new systems are a new version of the Pershing mobile missile, with their range increased from 750 to 1,800 kilometers, but may include a new Medium-range Ballistic Missile [MRBM] with a striking range of 3,600 kilometers as well. Lastly, American and European military leaders are considering the possible installation in Europe of a land-land or sea-land cruise missile. In the latter regard, however, the protocol attached to the 18 June 1979 SALT II agreement, prohibiting the deployment before 1982 of any missiles of this type having a range greater than 600 kilometers, and containing a "noncircumvention" clause that limits the possibilities of technology transfers to allies, is likely to weigh heavily in their decision.<sup>12</sup> Through this protocol, the USSR has, in fact, sought to create a situation in which it could exert pressures against any American technology transfers to other countries, particularly to the European countries, but also to Japan and China.

In the final analysis, the European security sought by the USSR through its advocacy of the complementary nature of the political and military aspects of that security boils down essentially to the security of the USSR, and that of its political system and the socialist community. By going too far in seeking to strengthen its military defense, however, the Soviet Union risks a result contrary to the object of its campaign for military detente in Europe. Going beyond the immediate advantages it has been able to obtain from the United States, especially in the SALT II agreement, at the expense of the latter's allies, the Soviet Union still faces the problem of reconciling two contradictory objectives: reassuring Western Europe and maintaining its military superiority in the European theater.

Recent Soviet proposals in regard to regional disarmament in Europe, as well as the favorably-intentioned commentaries that have for some time been circulated in regard to the Europeans, who are being presumed to be more favorably disposed toward the USSR than are the American leaders, have seemed to reflect a growing awareness of the advantages the USSR could derive from a revival of its policy of detente toward the West European countries.<sup>13</sup> On the other hand, propaganda campaigns like the one unleashed by the USSR on the subject of the "neutron bomb," and the warning addressed to the FRG<sup>14</sup> in the event the latter accepts the installation on its soil of medium-range missile systems capable of directly striking targets on Soviet soil, fail by far to reassure the Europeans as to Soviet

intentions in their regard. On the contrary, such initiatives are likely to accentuate the division between detente's "partisans" and "opponents" within the Western societies<sup>15</sup> and to heighten suspicions of a policy aimed, when all is said and done, at turning military power into political advantage.

#### FOOTNOTES

1. Speech at Helsinki 31 July 1975. PRAVDA 1 August 1975.
2. See specifically the program-speech delivered by Leonid Brezhnev on the occasion of the 60th anniversary of the October Revolution, PRAVDA, 3 November 1977, and the five proposals set forth on 15 May 1979 at the meeting of the Committee of Foreign Ministers of the Warsaw Pact, PRAVDA, 16 May 1979.
3. Statement on peace, security and cooperation in Europe, delivered in Prague 26 January 1972. PRAVDA 27 January 1972.
4. See specifically the article by Col V. Katerinic published on the 30th anniversary of NATO: "Nato-orudje agresii i diktata" [NATO--Instrument of Aggression and Diktat]. KOMMUNIST VOORUZHENNYH SIL 6, 1979, pp 81-86.
5. This plan was one of the proposals submitted by France in 1978 at the UN special session on disarmament.
6. "Politik der Friedenssicherung. Dokumentation," Deutscher Bundestag, 8. Wahlperiode, Drucksache 8/2587 of 16 February 1979.
7. See the communique published following the 14-15 May 1979 meeting in Budapest. PRAVDA 16 May 1979.
8. Speech by Leonid Brezhnev during his 3-day visit to Hungary from 30 May to 1 June 1979. PRAVDA 30 May 1979.
9. The idea of a nonaggression pact set forth by Leonid Brezhnev in a speech on 2 March 1979, PRAVDA 3 March 1979, was a broadened version of the November 1976 proposal that was the favorite theme of the East European countries at the Belgrade conference, namely, the signing of a treaty by the countries signing the final proceedings of the meeting stating their intention to not take the initiative in resorting to the use of nuclear weapons. See the statement of the member countries of Warsaw Pact at Bucharest 26 November 1976. PRAVDA 27 November 1976.
10. See analysis by Y. Kostko, Soviet expert on military problems in Europe, in the compilation of studies published jointly by Soviet and Finnish researchers: "International Detente and Disarmament," Helsinki 1977, beginning on p 212.

11. For details of these proposals, see M. Lachance and A. Legault: "MBFR: Evolution of the Negotiations and Positions of the Participating Countries," ETUDES INTERNATIONALES, IX (2), June 1978 pp 246-281.
12. On this point, see L. Ruehl: "Das SALT II-Abkommen und die europäischen Interessen," EUROPA-ARCHIV 15, 1979 pp 461-472.
13. See specifically the study by Yu. P. Davydov, member of the research group of the Institute for the United States and Canada headed by M. Arbatov: "SSA i zapadno-evropejskie centry sily" [The United States and the West European 'Power Centers'], Moscow 1978, and the article by the same author: "Razrjadka, SSA i Zapadnaja Evropa" [Detente, the United States and Western Europe], SSA 3, 1979 pp 20-31.
14. Speech by Leonid Brezhnev 2 March 1979, PRAVDA 3 March 1979.
15. See reports on detente in Europe presented at the most recent meeting of the International Relations Institutes of Socialist Countries by two representatives of the Moscow Institute of World Economics and International Relations, D. Proektor and O. Sejdin in MIROVAJA EKONOMIKA I MEZDUNARODNYE OTNOSENIJA 4, 1979 pp 118-137.

9238

CSO: 3100

## CANADIAN FOREIGN POLICY INSTITUTE URGES NORDIC SECURITY TIES

Reykjavik MORGUNBLADID in Icelandic 30 Nov 79 p 1

[Article by Jan Erik Laure, MORGUNBLADID Reporter in Oslo: Canadian Institute of International Affairs: "Growing Soviet Influence in Iceland Calls for a Stronger Defense; Closer Cooperation of Iceland, Norway, and Canada Needed in North"]

[Text] In a report, prepared by the Canadian Institute of International Affairs, for the Canadian Government, it is stated that, due to growing Soviet influence in Iceland, it is necessary for Canada and other northern countries, in particular, with Norway, is called for in the report, but emphasis is also laid on closer relations with Iceland, to balance the increased activities, and influence of the Soviet Union in the north.

It is stated in the report, that the Russians have had a growing role in Iceland, and in the seas around Iceland. There are now 200 diplomats from the Soviet Union, and East Bloc countries, in Iceland. This number would be equivalent to 20,000 diplomats from these countries in Ottawa. It is stated in the report that the Russians have, thereby, a considerable influence in Icelandic society, and, in the long term, this could place the defense based in Keflavik in danger.

Along with the establishment of an embassy, the institute proposes that the Canadian Government offer to position both fighters, and maritime reconnaissance aircraft in Iceland, to secure the security of the Atlantic shipping lanes more strongly than now. It is known that Iceland has always felt the need to have more fighters in Iceland than the Americans have desired. It is also pointed out in the report, that Iceland has openly made a request to establish an embassy in Ottawa.

MORGUNBLADID is informed that the Security Committee, which the leftist government created, is interested in establishing a connection with the Canadian Institute of International Affairs. When Canadian officials were visiting Iceland, last autumn, they spoke with representatives of the Security Committee, and provided them with information about the above-mentioned institute.



According to information obtained by MORGUNBLADID, no mention is made of the fact that Iceland has complained to the Americans that too few fighters are in Iceland for defense.

The Canadian Institute of International Affairs is an independent institute, which produced this report for the Canadian Government. MORGUNBLADID endeavored, yesterday evening, to contact Benedikt Grondal, president of Iceland, and minister of foreign affairs, to interview him of the subject, but was unsuccessful.

11,433

CSO: 3111

## CANADIAN REPORT URGES CLOSER DEFENSE TIES TO ICELAND, NORWAY

Oslo AFTENPOSTEN in Norwegian 30 Nov 79 p 20

[Article by Olav Trygge Storvik: "Will Canada Cooperate More Closely in Scandinavia?"]

[Text] A study prepared by the Canadian Foreign Policy Institute on behalf of the Canadian Government recommends that Canada should institute a program of closer cooperation with Scandinavia, and especially with Norway, in its Scandinavian policy, with a view to the coordination of interests as a counterbalance to the increasing Soviet activities and influence in the northern areas.

It was Professor Franklyn Griffiths, at the University of Toronto, who was responsible for the study, and the Canadian Embassy in Oslo confirms that the study was carried out on behalf of the government. Canada's new foreign minister, Flora Macdonald, formerly worked in the Foreign Policy Institute, and the Canadian Embassy in Oslo states that Professor Griffith's study is now being evaluated in the Foreign Relations Department in Ottawa. According to what the AFTENPOSTEN has learned, the study is also being evaluated in the Norwegian Foreign Relations Department.

The study recommends a reorientation of Canadian policy toward Scandinavia in two directions. The first of these two axes is to run from Ottawa to Scandinavia, or, more specifically, to Oslo, while the other is to extend from Ottawa in the direction of the North Pole. It is emphasized that, with greater human and cultural contact between Canada, Iceland and Norway, the unilateral Soviet pressure in Scandinavia can be lessened, and cooperation with like-minded democratic countries will strengthen the feeling for cooperation with NATO in Canada.

The study recommends several concrete undertakings having to do with security policy as a counterbalance to the increasing Soviet influence. In the first place, it is proposed that Canadian forces be transported to Norway by regular air transports and that those forces' heavy equipment be stored here in peacetime. That will give the people in Oslo who are responsible for security policy greater freedom of action at the very beginning of a critical situation. The study also proposes that Norwegian forces be flown to Canada regularly for maneuvers in order to show the

Canadians the nature of the military commitment in the Scandinavian region in that way. Professor Griffiths also recommends that consideration be given to setting up a joint Canadian-Norwegian air transport command to insure the delivery of reinforcements to Norway. The aircraft should perhaps be paid for out of a joint budget, have mixed crews and a long radius of action, and it should also be possible for them to be used for other missions by NATO--in the case of catastrophes, for example.

Where Iceland is concerned, the study discusses the importance of the American base on Keflavik and the increasing Soviet influence in that country. For example, the Soviet Embassy in Reykjavik has a staff of 200 people, and that is a number which, taking Iceland's small population into consideration, would correspond to 20,000 Russians in Ottawa. Therefore, Professor Griffiths thinks that the Soviet Union exercises a not inconsiderable influence in the society of Iceland and that that could endanger the Keflavik base over a somewhat longer term. Therefore, he suggests that Canada should set up an embassy in Reykjavik and offer to station Canadian interceptor aircraft and long-range patrol aircraft permanently on Keflavik to protect the sea routes over the Atlantic Ocean to a greater extent than this has been done up to now. It has been known that the Icelanders have been willing all the time to have more fighter aircraft stationed on Iceland than the Americans wanted there.

Where Svalbard is concerned, a certain amount of Canadian activity on the island group and the neighboring base is suggested. It is recommended that the Canadian Coast Guard get in contact with the Norwegian Coast Guard to exchange information about their respective experiences. It is also assumed that Norwegian ships and expeditions would pay return visits in Canadian areas.

Professor Griffith's study is based on interviews with approximately 35 or 40 government officials, academicians and businessmen in his country who described their ideas about developments in the Scandinavian region.

Some 5 years ago, the president of the Storting, Guttorm Hansen, and the chief of research at that time, Johan Jorgen Holst, proposed a comparable cooperation program between Canada, Iceland and Norway. At that time, it was obvious that the approach to the problem was not discussed very much in Canada, and no response was obtained. It is possible that the signal from Canada this time can turn out to be an indication of a reorientation of Canadian foreign policy, but it is not known to what extent the recommendations express the ultimate views of the new Canadian Government.

9266

CSO: 3108

## SECURITY REPORT AUTHOR CITES INCREASED USSR PRESSURE IN NORTH

Reykjavik MORGUNBLADID in Icelandic 1 Dec 79 p 17

[Unattributed article: "Goal of the Russians Is Obtaining a Foothold in Iceland for a Military Base, Says Canadian Professor"]

[Text] "One thing is completely clear, the great importance of Iceland for everything that goes on regionally. The country lies at the center of the Greenland, Iceland, United Kingdom (GIUK) flank. The position occupied by the Americans at Keflavik airbase is of great use to NATO, since it is possible to maintain regular surveillance over submarines, and aircraft from there. If, on the other hand, the Russians gain a position in Iceland, their sea and air power would extend far to the south. It should be clear, in fact, if one looks at a map of the region, from the Soviet point of view, that their obtaining of a foothold for a military base in Iceland would necessarily be a precondition for successful military action of the Russians against NATO shipping routes in the north Atlantic. Bearing in mind that the Soviet Union could only then fight wars, it is, by necessity, an objective of the Russians, in peace time, to have Iceland, first of all, turn the Americans out of Keflavik, and then invite the Russians there. This is certainly a political problem with nonmilitary, and military components."

The above excerpt is from the book "A Northern Foreign Policy," written by Franklyn Griffith, professor of political science at the University of Toronto, and recently published by the Canadian Institute of International Affairs in Toronto. A report from a MORGUNBLADID correspondent in Oslo, on that book, was published in MORGUNBLADID yesterday.

In the book the author discusses the great interest, which he regards Canada is having in the north, and touches, in particular, on defense matters. Naturally, Greenland, Iceland, and Norway come into the discussion. Discussion of this area of Canadian foreign policy has increased greatly this past year. It may be mentioned, among other things, that Prof Nils Orvik has had charge of research in this area at Queen's University at Kingston, and two Icelandic university graduates are carrying out research under his supervision.

The treatise of Franklyn Griffith is a contribution to this discussion, and it should not be viewed as an official pronouncement. In the report yesterday in MORGUNBLADID, it was contended that it was mentioned in the book that Iceland has complained to the Americans that the fighters stationed in Keflavik were obsolete. A closer examination of the report, however, shows that there was a misunderstanding of the Norwegian reporter there. Under the point in question, Griffith refers to a report made to an American congressional delegation, which came to Iceland in June, 1977. Complaints, which may be found in the report, no longer apply, for the most part, since the AWACS early warning aircraft arrived in Keflavik in the autumn of 1978, and the fighter and maritime reconnaissance aircraft have been replaced.

Griffith lays great emphasis in his report, on the need for Canada to establish an embassy in Iceland, and, also mentioned in that connection, the need for Canada to gain a position at the Keflavik airbase to carry out, from there, regular surveillance of submarines, and likewise, to base fighters there. He thinks that, in this way, it might be possible to eliminate the political uproar in Iceland about defense bases.

11,433

CSO: 3111



## BELGIAN GENERAL ON EUROMISSILES, POSSIBLE SPANISH NATO MEMBERSHIP

LD071501 Madrid ABC in Spanish 22 Dec 79 p 14 LD

[Interview with Gen Robert Close, chairman of the National Defense Problems Committee, by Angel Marcos: "Spain's NATO Membership Will Strengthen 'Free Countries Club'"]

[Excerpt] Brussels, 20 Dec--[Question] The main reason for this interview was to discover your opinion of NATO's recent decision to modernize its nuclear arsenal in Western Europe.

[Answer] I believe it constitutes an extremely positive result. Why positive? Because at last Germany, which has always seemed reluctant to deploy these missiles on its own territory, has willingly accepted the Pershing-2 and cruise missiles.

There has been an entirely positive response from Britain and Italy. As far as Belgium is concerned, despite the major campaign orchestrated by the Soviet Union, the parliamentary vote was overwhelming, since there were 144 votes for and 48 against, these latter coming from the Liberals, who announced that they were quite unreservedly in favor of deployment. Therefore, one can say that the whole of parliament approved of this decision. Even the Socialists, who had strong reservations, voted in favor.

[Question] Did Soviet propaganda influence these decisions?

[Answer] Once again we have seen the mobilization of an entire domestic propaganda machine comprising exactly the same institutions, the same groups... What I call the "Russian clique," which worked, with the success of which we are all aware, in the case of the "neutron bomb." But what is really worisome is that these so widely differing bodies, such as Pax Christi, the Catholic action movement for peace, and a major sector of the Socialist Party extreme left, have espoused the same topics. The same slogans and the same arguments as Soviet propaganda: I see in this an extremely skillful Soviet strategy which can be compared to its foreign policy tactic, or even strategy. You know as well as I do that since

World War II the Soviets have never intervened directly in an outside conflict, but only through an intermediary, except within its own empire--in Czechoslovakia and Hungary, for instance. But apart from certain direct interventions--I am referring to Mr Brezhnev's threats--all internal propaganda has been and is still being carried out through pacifist, idealist movements, and so forth, rather than through the actual Communist Party.

### Soviet Threats

[Question] Would you speak to us specifically about Mr Brezhnev's action?

[Answer] It has been most lamentable, since we have seen a head of state, Mr Brezhnev, using threats to make us believe that we had neither any choice with regard to our defense policy nor the means to implement it, disregarding the fact that the choice of our means of defense and their implementation belong to our sphere of sovereignty. Fortunately, Mr Brezhnev's threats did not prompt a capitulation, but they do prove that the famous "Finlandization" is being implemented.

[Question] According to Soviet propaganda, these new missiles tip the balance in the West's favor.

[Answer] It is claimed that the deployment of these medium-range missiles will alter the balance of forces and create a new arms race. One must adopt a responsible attitude in this connection also. We began modernizing the SS-4s and SS-5s, replacing them with the SS-20s, which cover the whole of Europe and are accurate to within a few meters...? I do not believe anyone doubts that it was the Soviets. I believe we should remember the meaning of the word "deterrence." Deterrence means the capability to inflict on a possible adversary damage on such a scale as to make the risks of an attack entirely disproportionate to the benefits of a possible war. In the case in question, that of medium-range missiles, there was no deterrent on our side, since it was all a matter of range. The Pershing-I's range reached only as far as Poland and did not extend to the Soviet Union, whereas the Soviets could strike wherever they wanted. The introduction of the Pershing-2s and the cruise missiles simply established a balance which has never existed. That is to say, I believe that the deployment of these missiles--contrary to the thesis of the extreme left, which maintains that it will facilitate nuclear war--will do precisely the opposite since it will create a balance such that deterrence will be reestablished and therefore will lend greater credibility to the presumption [presuncion] of a conflict.

[Question] Do you not believe that of all the NATO member countries, Belgium has been the one where this antimissile campaign has been most apparent?

[Answer] In Belgium, where a very violent campaign was carried out, the missile oppositionists managed to gather some 20,000 demonstrators.

We are not exaggerating: 20,000 people out of a total of 250 million Europeans and 220 million Americans.... I do not regard that as a representative showing. I would have found the demonstration more convincing if we had been shown the parallel picture of a similar demonstration in Moscow's Red Square, with 300,000 Russians shouting: No to the SS-20s. So once again we are faced with unilateralness: We shout peace, peace, disarmament, disarmament... But we never see one single gesture of good will from the Soviet Union.

[LD071503] Spain and NATO

[Question] Could you give us your opinion of this 6-month postponement?

[Answer] I believe it is stupid. What is the significance of 6 months if we believe it will take 3 years to deploy the new missiles? Basically, the thesis which has prevailed is much more intelligent: Let us take the decision and then sit round a negotiating table. If the Soviets agree to dismantle the SS-20s or at least to halt their production, then we could take the decision to reduce the number of missiles we want to deploy or totally halt their deployment, if there are no SS-20s. But what I regard as absolutely stupid is to come to the negotiating table empty handed....

[Question] Could you tell us what Spain's possible future membership would mean to the Atlantic alliance?

[Answer] I believe the issue must be tackled from various angles. First, from the political angle: It is true that Spain's membership in the Atlantic alliance would demonstrate the global solidarity of this Europe of what we call "wishes" and which I permit myself to call the "club of freedoms," of which Spain is a member.

From the strategic viewpoint, obviously Spain's position within this absolutely crucial area of the Mediterranean would lend a definite weight to the cohesion of European defense. You are aware that the southern flank is regarded as the "emptiest," bearing in mind the Greek-Turkish dispute and Italy's domestic difficulties. Therefore, Spain's membership would restore credibility to this flank.

As for upsetting the balance--I do not think so. Why talk about upsetting the balance if even now that Spain is not a NATO member it is known where its sympathies lie? Therefore, I see no tilt in the balance. What is to be feared is that the Soviets might protest Spain's NATO membership in order to exert pressure on Yugoslavia, especially after Tito's death, by saying: "Yugoslavia against Spain." Be that as it may, the latter occurrence is very possible, especially if the Soviets manage to create in Yugoslavia a puppet government favorable to themselves... and even occupy the country.

SPITAEELS INTERVIEWED ON BUDGETARY, FISCAL SITUATION

Brussels SPECIAL in French 22 Nov 79 pp 15-18

[Interview with Vice Prime Minister Guy Spitaels in Brussels, November 1979, by Francis Monheim]

[Text] Career. Exemplary and brilliant. Born in Ath, 48 years ago, Guy Spitaels holds a doctorate in law and master's degree in political and social sciences from the Catholic University of Louvain.

But it was at the independent [Catholic] University of Brussels that he was to devote himself to research work and later to education.

At the Institute of Sociology, chaired by Professor Arthur Doucy, Guy Spitaels became the director of research at the Social Economy Center and the Sociology Center of Social Security. Full-time professor at this university, he lectured on the economics of labor and social security problems. He also gave courses at the College de Europe in Brussels and at the University of Rheims School of Law. Lastly, he is the author of some 20 works and numerous articles devoted to the difficult problem of social security and the evolution of social phenomena in Belgium.

But the university professor is at the same time a militant socialist; he takes part in the works of numerous PSD [Social Democratic Party] study centers, particularly with Philippe Moureaux, professor (of history) at Ulb, and who, like him, is now first private secretary after having been director of the Emile Vandervelde Institute.

It was in 1973 that Guy Spitaels entered into active politics; the new prime minister--Edmond Leburton--had made him first private secretary for economic and

social affairs. Elected provincial senator in 1974, Guy Spitaels decided from then on to go into his own political field; in 1977 he was elected senator of his own district of Tournai-Ath-Mouscron and in 1978 he became burgomaster of Ath, his native town, after having won the council elections there in 1976.

Minister of employment and labor in the Tindemans II government from 1977 to 1979, Guy Spitaels was to face a distressing unemployment crisis; the plan which bears his name makes it possible to resorb a part of the 50,000 unemployed who are being added to the great body of job applicants every year since 1973. This plan has not always been thoroughly understood in Belgium but the International Labor Bureau considers it exemplary.

In short, when Wilfrid Martens forms his cabinet early in April this year, Guy Spitaels will enter it as vice prime minister and minister of the budget. The Man. A glutton for work, with a thorough knowledge of dossiers, Guy Spitaels is not only a thinker, he is also--in matters as ungrateful as the state budget--a man of decision and courage.

Those who do not know Guy Spitaels too well sometimes reproach him for his cynicism, an over exaggerated severity, and his haughty air which annoys some university professors. But those who have the opportunity of knowing him well realize that this voluntarist man is a good listener, he is capable of being a warm friend and he has a good sense of humor.

Since he is vice prime minister, Guy Spitaels--with Wilfrid Martens--has had to tackle numerous problems arising in the government. In this daily battle, he has made use of two arms with the mastery of which he is thoroughly familiar: realism and serenity. "We are there to govern," he said one day, "and we are doing just that."

Neither indifference nor hazardous exploit: this is apparently Guy Spitaels' motto. In any case, this is the impression we got from the very precise answers he readily gave us.

[Question] The budgetary policy which you are advocating has elicited criticism and some uncertainty, included within the ranks of your own party. What will you reply to these criticisms?



[Answer] I shall simply say that under the present circumstances no other policy is possible.

When one is faced with choosing among several very unattractive policies, the temptation is not to choose any at all and to let things take their own course. That was what happened with the budgetary material for a long time; the easy way out was not to look too closely at the deficits and to continue borrowing right and left.

This government did not wish to embark on this course; it did not want to follow this dangerous route and it has rejected the free-and-easy procedure. But it has also refused to choose the dangerous route which some have been advocating in support of neo-liberal ideas, in other words, a huge cut at one and the same time in receipts and expenses.

Following this double refusal, we then had only one possible policy left us: that of curbing expenses to the fullest extent possible in keeping with maintenance needs--or even a slight increase--in receipts.

Taking this stand, of course, is not likely to arouse any enthusiasm, but we believe it is rational and courageous. Its objective is to reduce the number of disadvantages resulting from a situation imposed on us at one and the same time by the world crisis and the weight of the past.

[Question] Don't you think that the increase in receipts would have very simply been censured by all political parties, including those which make up the present majority?

[Answer] I shall say, first of all, that during a depression, an increase in state receipts is inadvisable. As a matter of fact, no one will dispute the point that an increase in the fiscal or special tax will result in a check on domestic private consumption. I should even add that the argument according to which it is possible, through a wise choice, to affect the economy rather than consumption is no longer relevant because financing needs are such that it is also totally inadvisable to bear heavily on economy and also because it is extremely important for the balance of payments that this economy be supported in the country.

But I shall also point out to you that the reduction in public expenses has also a depressing effect under the present circumstances.

In fact, these public expenses, roughly speaking, are broken down as follows: 50 percent for social transfers of stocks, 20 percent for economy support and 20 percent for operating expenses.

Social transfers of stocks essentially involve family incomes and are therefore changed into consumption.

The purpose of expenses authorized for supporting the economy is to stimulate activity or, more often, during this depression period, to ward



off the termination of activity. Reducing these interventions would automatically result in an increase in the number of unemployed.

As regards operating expenses, the purchase of goods and services also necessarily contribute to stimulating the economy.

And so, whichever way we turn, under the present circumstances, no restriction seems harmless. And the government, therefore, has run into this almost insurmountable obstacle: the discrepancy which exists between cyclical opportunity and financial rehabilitation.

[Question] You have often expressed your desire for austerity but no one seems willing to follow this route. . .

[Answer] We must point out that the public is not convinced of the need for austerity. To be sure, everyone recognizes that during this depression period sacrifices must be made, provided that they are made by somebody else. Maybe we cried wolf too often in the past. And the majority of our citizens believe themselves proof against calamity, protected as they are by a fixed salary, by a small piece of property, by wages geared to cost of living expenses. The fact remains that the most impressive figures regarding the public debt, the social security deficit or the deterioration in the balance of payments always seem to leave the public stone cold. And the result of this indifference, of this unconcern, is that every rehabilitation measure meets with a resistance totally out of proportion to the size of the sacrifice enjoined.

[Question] Let's take an example: that which hits motorists. One franc more for a liter of gas and the adoption of a special tax, isn't that a great deal to ask of a very large segment of the population?

[Answer] Of course. These measures do not please anyone, but we must nevertheless maintain a sense of proportion. The average motorist traveling 10,000 kilometers a year with a 7 hp [car] annually spends around 68,000 francs. With the new charges he will spend 2,000 more, or an increase of little more than 3 percent. Is this really going too far?

[Question] Great stress has been laid on the fact that the government has decided to increase at one and the same time the taxes which burden the motorists and the railroad rates. How do you explain this paradox which seems so obvious?

[Answer] I willingly acknowledge that the rise in railroad rates is not to our liking, especially for us who for years have been supporting the priority given to public transportation. However, here also we must keep our sense of proportion.

First of all, for 5 years the taxes have increased 33 percent whereas the cost of living rate has increased 37 percent and income still more.

Traveling by railroad clearly weighs less heavily on the traveler's budget and that will continue to be so after the determined increase. Moreover, measures are being taken to mitigate the effect of the increase for the less fortunate. We must add that the state of public finances is such that the move toward economic stabilization should extend to all quarters if only to set the entire project in motion. Consequently, no exceptions, no matter how desirable they may be.

International comparison, moreover, makes it possible to determine more precisely the level of Belgian taxes. The case of Sweden, whose social policy is progressive, is especially impressive in this respect.

This Summer the Swedish Government decided on a rather spectacular cut in railroad taxes: 30 percent. Now, despite that, traveling at full price or at reduced price, was still more expensive in Sweden than here. In fact, the passenger-kilometer there cost 2.80 francs before reduction and 2.00 francs afterwards. Now, the new Belgian tax is 1.66 francs.

[Question] Instead of increasing the restraints which already weigh heavily on the entire population, including, on the most deprived, wouldn't it be better if the government again had recourse to borrowing?

[Answer] I maintain that resources increased through borrowing constitutes an easy answer. And I point out that practically all our governments have resorted to this solution, at least, throughout these last few years. Sometimes intentionally, by suggesting a more or less huge unbalanced budget while hiding behind the reassuring colors of deficit spending. At times, more insidiously, by presenting a balanced budget, but later on allowing the addition of impressive items.

In fact, Belgium has allowed itself the luxury of a flight of locusts. And like them, we find ourselves destitute indeed now that the icy winds of Winter have arrived.

Henceforth it is impossible for us to pursue this borrowing policy. We have reached the limits as at least two irrefutable indications confirm it. The first is the rise in the interest rates at which loans are issued. At present, there is a 6 percent difference between the loan rate and that of inflation. To my knowledge, this situation is without precedent in our financial history. A second sign is the recourse to the foreign market. Some have said: that is nothing new and, moreover, the amount borrowed is still reasonable. That, no doubt, is true, but what is undoubtedly newer is that there was practically nothing else one could do.

But, besides these problems, there is an obvious drawback in maintaining excessively large balances due: the increase in the public debt at a much more rapid rate than the growth of the gross national product.

[Question] Don't all European countries find themselves in this situation?

[Answer] On the contrary, international comparison is very unfavorable toward us and, I would even say, frightening. In Germany, the public debt represents 10 percent of the national product; in France, 17 percent; in the Netherlands, 23 percent, and in Belgium, 49 percent.

A further example: in 1977, the debt per inhabitant in France corresponded to 20,000 francs; 45,000 francs in Italy--a country, moreover, which is not well known for its flourishing finances, and 120,000 francs in our own country. And since then, the increase has only become more accentuated. This year, at the end of August, the public debt had reached 1.6 billion, which is around 160,000 francs per inhabitant. From 1977 to 1979, therefore, there was an increase of 33 percent. . .

Under these conditions, there is no reason for being astonished at the rapidly increasing burden which this debt places on the budget. The "interest" entry went from 85 billion in 1978 to 100 billion in 1979, that is to say, a 17 percent increase. And for 1980 we shall have to pay out 125 billion, that is to say, this time, a 25 percent increase. All things considered, this means that in 2 years, the burden of the debt has increased almost by one half, that is to say, exactly 47 percent. . .

[Question] If you don't mind, let's talk about the future and, in particular, about the 1980 budget.

[Answer] This budget's basic principle is zero growth. That means that the budget's increase must be limited to that of the cost of living index; with two exceptions: the taxes on the debt and the taxes connected with unemployment. Respect for this principle is tantamount to a stabilization of the budget, since even in a recession period, we can always count on a slight increase in the gross national budget in equity. In other words, current expenses (always with two exceptions) would represent a decreasing percentage of the gross national product.

This explains why we have agreed to a 5.7 percent increase in the 1980 budget whereas we anticipate a 6 percent cost of living index increase.

But moreover, we had to take into account the above two exceptions. That explains why we have limited the increase in expenses on a whole--exceptions this time included--to that of the gross national product.

The debt tax will increase 25 percent (from 100 to 125 billion) and that of unemployment 11 percent (from 90 to 100 billion).

Now, we have established the growth of current expenses at 7.87, that is to say, a half percent under the 8.54 percent which we anticipate for the gross national product. In other words, the rapid growth of unemployment taxes and especially of the debt have been set off by a zero, or more exactly, a slightly negative increase (less than 0.3 percent) in other entries.

On the whole, the tax increase compared with the 1979 budget is exactly 6.96 percent.

The sum total of current expenses could therefore be fixed at 1.104 billion as against 1.022 billion for the first 1979 budget.

Now, without being extravagant, the proposals which the various departments originally presented were increased by around 15 percent.

The difference between these 15 percent and 8 percent at which we finally arrived--that is to say, around 70 billion--definitely indicates the endeavor agreed upon in terms of cutting down expenses. Now, this endeavor affected all budgets without exception. And some departments had to agree to some painful sacrifices.

But I can strongly assure you that contrary to what has sometimes happened in the past, this 1980 budget has no strings attached. Nowhere in it will there be found any voluntary undervaluations.

[Question] You have mentioned current expenses, but what have you planned for capital expenditures and, more precisely, for investments?

[Answer] The dilemma between economic opportunity and financial demands calls for an even greater keenness of perception.

First of all, in a period weak in private investments, the cyclical effect on public investments is particularly sound and rapid. We are pleased to recognize that a public works revival, for example, constitutes the best method for relieving unemployment. Then, good sense and budgetary soundness show that there is no harm in covering public investments by borrowing, since they constitute an increase in the public patrimony. But despite these good reasons for foreseeing a sharp rise in capital expenses, the government is faced with a kind of veto that is the privilege of the capital market. Confronted with these demands, the government decided in favor of approving a total of 160 billion, that is to say, an increase of 15 percent in relation to 1979. And with regard to the programs, the government evaluated them at 246 billion, which is also an increase of around 7 percent.

But since we are talking about capital expenses, I would like to mention an encouraging prospect: in 1979, for the first time in years a renewed interest has been recorded in private investment, weak in volume--no doubt--but potentially significant.

[Question] The budget you have proposed shows a deficit of 82 billion in current operations. Why?

[Answer] First of all let me say that that is only a little more than the deficit remaining from the first 1979 budget. But as a matter of fact this

corresponds to a reduction of its true amount, since it was stopped on the assumption of a 6 percent inflation and a 2.4 percent increase on actual worth on the GNP.

In fact, we consequently note a reduction of 5.9 percent as equity and of 8.3 percent with regard to the gross national product. With this in mind, we can discuss stabilization of the budget.

[Question] Is this 82 billion deficit merely cyclical?

[Answer] This deficit is less than expenditures in terms of unemployment (around 100 billion). I have never inferred from it that the deficit was merely cyclical and that, therefore, we should not be too concerned about it. I have said over and over again that in my point of view--and I deeply regret it--unemployment was for the most part structural.

[Question] Have the regionalization and communalization to which the government has proceeded had any impact on the budgetary plan?

[Answer] The government has decided in favor of the introduction of a budget while taking into account both transfers and growth rates. The solution will enable parliament to have immediately at hand the calculated results of the transitional stage of regionalization. For current expenses, the overall total of credits put at the disposal of the communities and regions runs from 39 to 63 billion, that is to say, an increase of over 50 percent. The communities go from 18 to 47 billion while the regions drop from 21 to 16 billion. Moreover, in regard to capital expenses, the regions will have at their disposal 84 billion for credits payable as compared with 94 [billion] before the reform, while written orders of credits payable are estimated at 26 billion as against the previous 30 billion.

On the other hand, the financial commitments which the communities can initiate are sharply increasing, going from 5 to 17.5 billion. Concurrently, orders to pay are going from 4 to 6.6 billion, in addition to a sum of a 4 billion balance entered in the national budget relating to bi-community expenses.

[Question] How do you size up Belgium's situation within the framework of the world crisis?

[Answer] If we take this world crisis into consideration and the disastrous situation of our public finances, the government has adopted the proper course by avoiding monetary, economic and social accidents, the threat of which constantly stands out in sharp relief. We would have preferred to pursue more exciting objectives but, unfortunately, the international and national background does not permit us to do so. It is quite possible that a good part of the public, numbed by a quarter century of prosperity, still refuses to see the truth, still refuses to believe that the economic slump is in the offing; in short, it is hoping that everything will go on as usual.



Now, how did the crisis that we are now experiencing come about? Only a short time ago nothing led us to anticipate a lot such as this. The country was calm, active and prosperous and ever since then, nothing has happened which could make any newspaper headlines. No national catastrophe, no political troubles, no economic slump, no "monumental mistakes" on the part of such and such a government. Actually, what happened is simply this: the country just let itself go.

[Question] What conclusion do you draw from this carelessness, from this comedown?

[Answer] The moral of this story seems very clear to me. Our country is undergoing the bitter hardships of the world crisis. From now on, we are in the Alpinist's situation stiff with the cold. To survive, we have to react. To lie down until the weather warms up is definitely to risk fatal numbness. Now, if we wish to save ourselves from this numbness, we have to do three things: settle our debts, improve the lot of the most underprivileged, strive--might and main--for a new full employment policy. This choice, of course, implies unpopular measures. But this austerity is indispensable. If we refuse to act on it, it would be suicidal. If we agree to it, everything is still possible.

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CSO: 3100



## PRICE FREEZE, IRAN CRISIS THREATEN OIL SHORTAGE

Copenhagen BERLINGSKE TIDENDE in Danish 25 Nov 79 pp 1, 30

[Article by Peter Kjelstrup]

[Test] A ticking time bomb that means not only that one or more of the smaller oil companies will succumb, leaving thousands of Danes without an oil supplier, but also a price shock for oil when the price freeze is lifted--that is how people in the oil business currently regard the government's price freeze in combination with the unrest in Iran. They feel that way about the price freeze because it largely prevents oil companies from purchasing oil since they don't know how price conditions will look after January and cannot currently get reimbursement for the price at which it is now selling. The price shock is because in the meantime oil has risen considerably on the world market.

The situation has led two of the big oil companies, Shell and Gulf, to halt the addition of new customers while the rest of the big companies are showing extreme restraint.

Some of the smaller companies have acted in a much more radical fashion. Haahr Gasoline in Vejle has informed its customers that they will not receive new deliveries until they are down to enough oil for a couple of days and the refills will amount to only 1000 liters.

According to director Olaf Haahr this has happened because the government refuses to recognize the seriousness of the situation so that the company itself must guarantee its customers long-term delivery by building up oil stockpiles.

"At the moment we could sell our supplies abroad and earn millions but instead we choose to buy oil at prices far above the OPEC rates," said director Olaf Haahr to BERLINGSKE TIDENDE.

The Denmark Oil Company, which sells primarily through cooperative stores and general stores, has also closed the door to new customers.

"A new customer could only be supplied at a loss of 4-500 kroner per 1000 liters. And we are certainly not interested in selling at a loss at a time when serious demands are being made on liquidity," director Palle Holst told BERLINGSKE TIDENDE. "We have our hands full taking care of our present customers."

#### Oil Branch United

The oil branch has repeatedly tried to get the price freeze lifted because the branch agrees that it could lead to a serious supply crisis. First there was an urgent appeal to the Energy Committee of Folketing to exempt oil from the law itself and later there were appeals for dispensation to the Monopoly Board, which rejected them.

Most recently there was a meeting with the advisory committee of the Energy Ministry where a united oil branch reported on the gravity of the situation.

At the same time people in the branch cannot understand why the government through its price policy is causing the expenditure of millions of kroner in foreign currency. This is happening because the restrained buying policy means that when oil is finally purchased it has increased in price, thus contributing to a greater price shock when the price freeze is lifted.

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CSO: 3106

## GULF WARNS OF OIL SHORTAGE IN ECONOMY PLAN

Copenhagen BERLINGSKE TIDENDE in Danish 22 Nov 79 p 16

[Article by Peter Kjelstrup]

[Text] Calling a halt to the addition of new homeowner customers, one of the country's biggest oil companies, Gulf, has indicated it foresees a Danish supply crisis soon.

The halt, news of which was sent to supply depots in a telex communication, was based on the belief that regardless of the Danish price freeze the supply situation is uncertain, according to company director J. E. Keep. The director referred primarily to the situation in Iran. "But at the same time a rejection of the application by the oil branch for a dispensation will mean a gap between supply and demand, especially on the Danish market. A gap Gulf does not feel it can close," director J. E. Keep told BERLINGSKE TIDENDE.

The halt was announced before the oil branch received word last night that the Monopoly Council had rejected its dispensation application. The rejection came even though the branch predicts delivery problems as a result of price hikes on crude oil.

The chairman of the joint council for the oil branch, director J. Munk Andersen, said after the rejection that price hikes in November mean that most companies will be short 100 kroner per ton. "And that can only have a negative effect on the supply situation," Andersen told BERLINGSKE TIDENDE, predicting that smaller companies will be unable to handle the situation. The branch would then return to the Monopoly Council requesting a review of the rejection.

No other company followed Gulf's move but director Munk Andersen did not feel that any of the other big companies could cover the loss of smaller companies. At the moment the other companies are working out an arrangement allowing the addition of customers new to the market and people in acute need.

Hardest hit are companies that must buy part of their oil in Rotterdam. The price there is so high today that 1000 liters of heating oil would have to cost almost 3000 kroner in order to give a profit compared with the 2000 kroner the price freeze law has set for that quantity on the Danish market.

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CSO: 3106

## BUSINESS GROUP UNHAPPY OVER ECONOMIC PLAN

Copenhagen BERLINGSKE TIDENDE in Danish 7 Nov 79 p 8

[Article by Birgitte Henriksen]

[Text] "Very disappointing" and "unusually depressing." Those were the discouraged reactions of business people to the prime minister's opening speech yesterday.

Both the Danish Employers' Association and the Industrial Council had high praise for the prime minister's analysis of the economic situation. But there was nothing but criticism after that.

"The analysis of indebtedness abroad is clear, realistic and frightening. Now the government is also saying that the economic balance of society can only be restored by strengthening business competitiveness. This theme was sounded many times during the opening speech, but at no time did we get a hint as to the government's concrete ideas. The government has certainly not contributed to optimism on the part of industrial firms." That was the comment made by the chairman of the Industrial Council, director Erik B. Rasmussen.

## Same Tone

The tone was the same in the Danish Employers' Association. "The Danish Employers' Association is deeply disappointed by the prime minister's report to parliament. The Employers' Association agrees with the prime minister's evaluation of the difficult economic situation and is in total agreement that the job that must be done is 'to make sure that in each of the next few years there is a definite and consistent decline in our foreign deficit. As far as possible this result must be achieved by reinforcing business competitiveness.' But it is very disappointing that after this correct evaluation there is nothing at all in the prime minister's speech to indicate how the government intends to solve these problems. Nothing was even said about what the government intends to do to follow up the interim wage and price freeze."

And the Danish Employers' Association then noted that on the contrary the prime minister suggested that the contract improvements agreed on, to take effect on 1 March 1980, should be carried out. These improvements, which were enacted by law because the labor market factions, LO [Danish Federation of Trade Unions] and DA [Danish Employers' Association], could not agree last spring, involve 225 million kroner to be distributed for the benefit of low-wage earners in particular. In addition a higher minimum wage will produce an automatic wage drift at various job sites. The gap among groups of workers will be preserved.

#### LO Desires

After that both the chairman of the Industrial Council and the Danish Employers' Association threw themselves over the proposed reforms the prime minister mentioned in his opening speech. "In the old-fashioned Social Democratic manner the opening speech included a long list of proposals, both large and small, from the LO list of wishes. All of them proposals that have nothing directly to do with solving the serious economic situation," the employers stated.

Erik B. Rasmussen of the Industrial Council said that the government was concrete only with regard to proposals that in his view would be directly opposed to an economic improvement and would only make it more difficult to create new jobs. "Implementation of these three proposals alone--obligatory OD [Economic Democracy] with a central fund, elimination of the investment deduction on machinery and higher company taxes--would mean an extra industrial expenditure of around 500 million kroner a year. In addition it has not escaped industry's attention that the government is trying to establish a new LO-dominated fund set-up in connection with the accumulated cost-of-living increments in ATP [Workers' Supplemental Pension Fund]."

#### Dominant

DA feels that a separation of the 10-11 billion cost-of-living kroner would give the workers a completely dominant influence over many companies since through ATP as well as through administration of the cost-of-living funds they could get hold of 30 percent of the shares in every single business firm. The employers note that Folketing has already resolved that the cost-of-living money should be handled by ATP. "The consequences of changing this resolution are far greater than is immediately apparent and would involve the establishment of the central fund opposed by a majority of the population during the OD debate," the Employers' Association stressed.



## Clear Warning

But the reaction from the Danish Metalworkers Union, whose members were hardest hit by the wage freeze due to the promise clause, was quite positive. The union had called an extraordinary meeting of the executive committee yesterday and it was resolved that the union recognizes the need for sweeping measures but at the same time asks that "the weakest social groups, including workers receiving the lowest wages, be exempt from cuts in their already low standard of living." There is a clear warning here against interfering with the spring contract law--and the 225 million kroner wage pool. The Metalworkers Union was pleased that the government is including a number of reforms in its upcoming program--"reforms that are of importance to the entire labor movement."

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CSO: 3106

## REAL INCOME TO DROP 4 PERCENT IN 1980

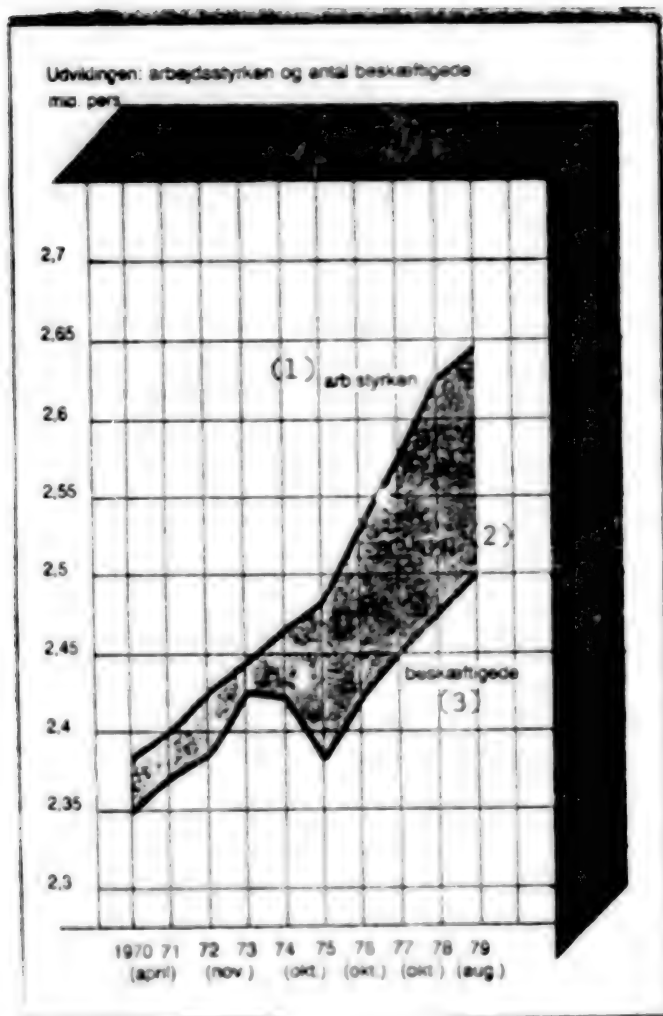
Copenhagen MANEDS BORSEN in Danish Dec 79 p 20

[Text] Real private consumption will decline by 1 percent. Against the background of developments in disposable real income this is a very modest decline. Wages will probably rise 11 percent in 1980 on the average. The increases will be largest for industrial workers and lowest for public employees. But prices will rise even more.

The price levels in 1980 will be a good 12 percent higher than those in 1979. To this must be added a possible tax increase that would raise consumer prices another 2 percent.

Thus on the average wage earners will have a real wage decline of some 2 percent but since income taxes will rise an average of 2 percentage points wage earners will have at least a 4 percent decline in disposable real income. However total disposable incomes in this country will decline somewhat less than that. That is because the labor force will continue to increase at a high level. It is estimated that the net increase will be around 30,000. Those who are not employed in the public sector will receive their income in the form of maintenance allowances. In addition to this are the incomes paid by the state to the 20,000 people on severance pay or entering the ranks of pension recipients. All in all state payments for transfers will rise a good 16 percent which will guarantee that total disposable incomes will be somewhat lower than indicated by wage and price developments.

Retail trade will feel the effects of declining consumption most. That is because a good 30 percent of consumption consists of more or less fixed expenditures, such as rent, for example. Thus the entire decline in consumption will concentrate on retail products. Retail sales will probably decline a good 3 percent. Trade in the food sector will stagnate and there will be a very marked decline in sales of durable consumer products.



#### Development: Labor Force and Number of Employed in Millions

Although considerably more people are employed today than was the case before the economic recession, unemployment has risen markedly. This is due to the large increase of people joining the labor force. Increased employment has occurred in the public sector alone. Public savings cuts will widen the gap between the two curves but the cuts will have only a minor influence on developments in total incomes because under any circumstances the public sector will finance income payments.

#### Key:

1. Labor force
2. Unemployed

3. People employed

Fixed business investments will decline. Industrial investments have fallen an average of 5 percent a year since 1973/74 and are now at the same low level as they were in 1968. There is no reason to believe that 1980 will mark a change in this development.

Agricultural investment interest will be weakened due to the very high interest rates combined with declining prices on agricultural property. Young farmers are more likely to make investments and price developments will certainly delay the generation shift in Danish agriculture.

Housing construction will decline. This year around 30,000 new housing units were started. In 1980 it is unlikely that there will be more than 28,000 housing starts partly because of the record high bond interest rates and partly because of declining disposable real wages.

Product exports are unlikely to increase more than 4.5 percent. Industrial exports will continue to develop [sentence incomplete].

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CSO: 3106

## COMMENTATOR VIEWS IMPLICATIONS OF USSR'S AFGHANISTAN ACTIONS

DW091513 Frankfurt FRANKFURTER RUNDSCHAU in German 9 Jan 80 p 3 DW

[Article by Karl Grobe: "Two-Sided Triangle"]

[Text] By its invasion of Afghanistan the Soviet Union has demonstrated excellently how to lose friends or partners or how to annoy people. In the UN Security Council the loyal GDR was the only one to vote with it, while the nonaligned countries from Asia, Africa and Latin America opposed it. Rebuffs of this type are rare, as the Third World fortunately has long ceased to solely follow the West. The Afghan people would very much like to refuse acceptance of the Soviet aid supplies, but they do not have enough strength to send a 100,000 man army back home. And along the long southern Siberian border where Asia begins to be Chinese the defensive reaction to the "polar bears" has been intensified considerably.

The trip to Beijing of U.S. Defense Secretary Harold Brown was planned in advance, to be sure. But now it has world political weight. The Chinese protocol has stressed it: Meetings with Hua Guofeng and Deng Xiaoping are the choicest in political courtesy Beijing has to offer at present, and the accords reached not only at festive banquets but also during many hours of talks cannot have triggered any enthusiasm in Moscow, except with the dogmatists who would go out of their way to prove the Chinese anti-Sovietism.

The United States will not only supply a satellite receiving station which can also be used for military purposes, no matter how clever the denials may be. They are discussing joint arms supplies to Pakistan, they have agreed to hold consultations on Afghanistan and South Asia and then they behave like old allies. While recently it looked as if everyone in the world political triangle Moscow-Washington-Beijing in principle could enter into an alliance with everyone, the triangle now has turned into a highly two-sided thing. Precisely one year ago when Deng Xiaoping made his whirlwind tour of the United States and everybody was surprised at the "unusual speed" of rapprochement, this development could yet be considered as an uncertain thing. The blows of the Soviet invasion troops at the Hindu Kush now have strengthened Sino-U.S. cooperation.

It is not only Moscow's foreign political clumsiness which is behind it. Such an explanation may be sufficient to define the fiasco of Moscow's policy on Japan. But in this case such simple models of interpretation fail to work. It is possible that the constant Soviet fear of encirclement has played the USSR a trick: If the United States was to intervene in Iran because of that unfortunate hostage affair, would the Soviets then not have to fear to have "the enemy" on another long stretch of the southern border, especially in the particularly sensitive region where the same Turkish and Persian speaking peoples of Islamic religion live on both sides of the border?

But if there has ever been an encirclement then there is one now as the result of the undeclared war on Afghanistan. In this respect the Soviet leadership surely has immensely underrated the consequences of its own action. It is incredible that General Secretary Leonid Brezhnev gave his blessing to such a development with full political awareness, that Premier Aleksey Kosygin who wants to mitigate the arms burdens on the national economy would have agreed in good health. Kosygin is sick and excused. Brezhnev, however, would have to give a very precise explanation for his vote. Or is it possible that he was outvoted by the "hawks," Suslov and Andropov? If this was the case, we would have to assume a palace revolution behind the walls of the Kremlin. Then Leonid Brezhnev would have left the Kremlin by the Spasski gate as a politically broken man and the Soviet Union would have been changed from the top as a result of a vote.

For the time being it is unimportant. Outvoted "doves" would also have to live with the new hawkish reality. It is this very reality that every foreign partner of the Moscow leadership has to adapt himself to. The necessities [sachzwaenge] to which the bosses in the Kremlin and in the Moscow party building have exposed themselves are the same for all of them. There is not much leeway left for the present, no matter what the intentions are. A hardening, a world political polarization and an isolation of the USSR (excluding its impotently loyal Vasalls) have set in.

What remains as a world political constant now that China has also been incorporated in this game of confrontation still is the common interest of all--especially the nuclear superpowers No 1 to No 2 and 1/2--in a reasonable mechanism for overcoming universal crises. Even if politics are reduced to the prevention of totally destructive nuclear wars they still are politics. In a two-sided triangle they may even be easier because they are easier to assess along simplified fronts. This provides the chance of making a fresh start, of reducing the over-tension instead of discharging it by force. Detente, too, did not mean the absence of tension, and to the extent that was politics it will continue also after Kabul. If there were peaceful means to make Moscow surrender its Afghan prey, then they would have to be used persistently now.



COMMENTATOR: WEST HAS LOST MUCH TIME IN STANDING UP TO USSR

DW101032 FRANKFURTER ALLGEMEINE in German 9 Jan 80 p 1 DW

[Article signed RM.: "So Much Lost Time"]

[Text] America in its distress is looking around for somebody who could act together with it against Moscow's raid. The European alliance partners are not merely far away from the theater, they are also handicapped by the territorial limitation of NATO's mission, and most of all they are half-dazed by a drug called detente. Pakistan, however, is really close to that spot, it feels threatened by the Soviet Union and it could be its next victim. But the generals ruling the country are full of bitterness with regard to America: Did not the leading Western power consider a possible Pakistani nuclear bomb as more dangerous than the real military thrust of Moscow's imperialism? And did it not withdraw from Asia as well as Africa, leaving both to the communist adversary?

Pakistan could be pulled out from its skeptical wait and see attitude-- but only with action with quick military and financial help.

Since there is Pan-Islamic anti-Americanism also in Pakistan, the country would prefer to be supported by China. However, China is weak itself. Due to its inferior provision with missiles it is exposed to Soviet blackmail. Its armed forces are poorly equipped; they have learned a lesson in Vietnam. The extent to which the aging Mao hurt China with his errors is revealed more and more.

His successors try to eliminate the economic-military backlog. The West is helping only hesitantly, half heartedly. It is following the doctrine that it would be wrong "to play the Chinese card." That is one of the false truths [schweinwahrheiten] with which Western politicians for years have bypassed coming to grips with reality. It was never a matter of the West "playing the Chinese card," but a balance of power that halfway safeguarded peace in a world to which a strong China belongs today. He on the Western side who delays the strengthening of China has played the Soviet card--whether he realizes it or not.

Now Carter sees the Chinese warnings against the Soviet Union with different eyes. The U.S. secretary of defense discusses in Beijing what his country could do in the military-technical field for China and indirectly for Pakistan. It is urgent; much time lost unnecessarily must be made up for.

## COMMENTATOR VIEWS CONSEQUENCES OF AFGHANISTAN INVASION

DW101137 Hamburg DIE ZEIT in German 11 Jan 80 p 1 DW

[Article by Theo Sommer: "Tension Must Remain Divisible"]

[Text] The eighties begin miserably. The Soviet invasion of Afghanistan endangers many things such as confidence, contact and rationality that has been introduced most toilsomely--and limited enough--in East-West relations. The world has not just become more unpredictable, it is becoming colder.

What made the Kremlin rulers launch their massive intervention? Three theories are being offered today.

First: The Russians by nature are aggressive and expansionistic. Now they want to fulfill the very old dream of Peter the Great and reach "the warm sea" in the south. Afghanistan is just a jumping board. Aleksandr Ginsberg, the author who escaped Gulag, formulated it in London as follows: "I have no doubts that the violations will continue in the Orient, in Africa and elsewhere. The Soviets are aggressive by nature. They will remain aggressive until they have surrounded the White House in Washington--if nobody stops them--and they will then tell the people in Russia: We must attack the White House in order to defend ourselves against it...."

Second: The Russians are opportunistic. Like all big forces they grab good opportunities whenever they offer themselves. The West long ago quietly left to them "the power area Afghanistan" as geo-ideologist Karl Haushofer once described it. When they experienced America's helplessness in connection with the hostages in Tehran, they struck. Afghanistan, which for a long time has been something like a centralized Finland, now became a second Mongolia: A Soviet satellite.

Third: The Russians had hardly any other choice. They had to experience how Soviet advisers together with their family members were publicly butchered by Muslim rebels. Were they supposed to look on with folded arms as a communist regime that had their blessing was being swept away by religious rebels? Could they run the risk of Islamic fundamentalism infecting their own Muslim brothers--today some 50 million? They sent troops before

the bulwark collapsed and killed the hated dictator Amin; the Americans did not act much differently in South Vietnam when they sent U.S. combat troops there to have the hated Ngo Dinh Diem eliminated.

The analysis of the Soviet motives is quite important. The mapping out of a Western counterstrategy depends on it. Those who consider the Soviets as dogged and incurable expansionists, would now like to act against them on a broad front--that would mean the end of detente in Europe. Those who consider it an opportunist big power that takes what it finds along the road, will not cut off the line to Moscow, but they will quickly set up dams against further Soviet action. Those who consider the Russians merely as victims of unavoidable factual local necessities, may try to comfort themselves with the idea that the matter is regrettable but that it has little to do with great East-West politics.

Only the second version makes sense. If the West wanted to open the cold war now on its own, it would abandon without necessity what it achieved in the decade of detente in the seventies in the way of current improvements and beginnings with a view to the future. If it simply ignored the Afghanistan events, it would almost tempt the Kremlin to help itself elsewhere as well. A decisive but considered reaction is necessary.

The countermeasures announced by President Carter will not get the Soviets out of Afghanistan. Yet most of it was necessary and correct, particularly the embargoes on grain and modern technology. The impression could not be created that the leading Western power would tolerate anything. It is a matter of course that the allies of the United States will support the U.S. embargo. They must not act as deliverers where America withdraws. Solidarity is necessary.

More important, however, is the task of keeping the Soviets in the Near East within limits. They must not achieve an opportunity there to expand their sphere of influence any more, let alone the sphere of their intervention. Now they stand 500 kilometers from the vital line of the West: The oil route through the Persian-Arab gulf. If they settle in Pakistan as well should they try to set up a Baluchistan people's republic right on the Strait of Hormuz, and if they are kind enough to make an armed interference in Iran after Khomeyni's failure--this would be a direct attack on the vital interests of the Western industrial states, not less challenging as a coup against West Berlin. But that would mean: War.

[DW101323] Embargo measures will not suffice in the long run as a means of deterrence. Just one thing can help: The establishment of a network of bases in the threatened part of the world. Bases in Oman, Somalia and Kenya recommend themselves and in an extreme case also in Egypt and Israel; one could also bear in mind such islands as Abu Musa located directly on the oil route. Pakistan must be developed to become a barrier, regardless of how doubtful the military regime of General Zia may be. The new U.S. emergency corps ought to take shape as quickly as possible. In connection

with this it ought to be considered whether Western Europe ought not to assist America with its own emergency troops. Western Europe depends even more on oil from the Near East than the United States. Limiting the area of NATO to the North Atlantic must not have the consequence that threats to Western security brought to bear in other parts of the world will remain unanswered. Sooner or later the question will certainly have to be discussed as to whether the Bundeswehr has to play a role in NATO's advanced defense strategy.

As determinedly as the West must face the Soviet in the Near East, it must also act in the field where detente has developed in the past 10 years, namely in Europe and in the field of arms limitation. Those people--like Franz Josef Strauss--who insist today that detente is geographically indivisible, demand in the imputed conclusion that tension also must become indivisible. This would have the devastating consequence that every time there are quarrels on the periphery of world politics, trouble would have to develop also in the center of East-West relations. Nobody wants that in Europe, let alone the Germans. Europe must not become a zone of tension just because there is tension in other regions. The West cannot win the battle in Berlin which it has lost in Afghanistan.

There might possibly be something to the guessing that has been taking place recently here and there, namely that Brezhnev is merely a puppet, that the "hawks" won long ago and that they manipulate him as they please and that the coming generation does not want to hear anything of detente in Europe. If that were so, we would have nothing to laugh about in the eighties. But so far it is not more than just a fear. We must not give it real power by our own action. That permits several conclusions.

First: The SALT process must not be fully discarded, nor the Vienna negotiations on troop reductions in Europe and not at all the planned talks on limiting nuclear medium-range arms in Europe. Nothing would be worse and more dangerous with regard to war than a decade of unlimited armament. Credit restrictions, trade embargoes or technology restrictions ought to be kept as possible sanctions in case the Soviet refused to take part in the arms control dialog.

Second: Political contacts, visits of ministers, cultural exchange and preparations for the Madrid CSCE conference ought to continue. They must be exploited, however, to point out to the Soviet discussion partners over and over again the risk of relapsing into cold war. Participation in the Moscow olympics would in no case be an approval of the Soviet policy whose true nature was disclosed not just in Afghanistan; an olympic boycott could be achieved upon relatively short notice in case of a drastic deterioration of relations with the Kremlin.

It cannot serve the interests of the West to have tensions on all fronts. On the other hand, it is important to make the principles of detente effective where they have not been valid so far.

The near future will not be easy. The superpowers have embarked on a collision course. Events that are out of their spheres of control cause them to plunge into competition; the development of arms long ago overtook the disarmament intentions; they face each other with more distrust and lack of understanding than they have for a long time. An enormous effort will be necessary to prevent the great powers from heading the world into a crisis just out of pure gruffness [verbiesterung]. It would have to be first of all a European effort.

CSO: 3103



IISS DIRECTOR SUGGESTS COUNTERMEASURES OVER AFGHANISTAN

DW041055 Hamburg ARD Television Network in German 2130 GMT 3 Jan 80 DW

[Excerpts from interview with Christoph Bertram, director of the London International Institute for Strategic Studies, by Klaus Stephan, live by direct line to London]

[Text] [Question] Is this a grand rehearsal for future actions? How far can they go, how far does the West allow one to go? How can the West react reasonably?

[Answer] This is the actual strategic question. To me it seems to be indispensable for the West to react to discourage those in the Soviet leadership who believe that such action could be contemplated for other parts of the world without risk in the future as well.

[Question] How should the West react?

[Answer] It seems to me that the only and most sensible thing the West could do is to insure that this Soviet action will not reap the success sought by the Soviet Union. This may mean for the West--and this means the United States above all--being prepared to possibly extend military assistance to the rebels in Afghanistan. The West, and this primarily means the United States, must endeavor to get the other states of that region together, causing them to make an unequivocal demonstration of cohesion in the face of this danger to their security.

It seems to me that the Western reply cannot sensibly be to sever the global relations with the Soviet Union now. This is not an adequate deterrence to the Kremlin for the future.

[Question] But is the U.S. President at the moment not in a situation in which everything he does is wrong?

[Answer] I do not think this is so. After all, politics is the art of the possible. I think it promises little success to recall ambassadors or to shelve the SALT treaty, as has now been done. This will not be enough.



The Soviet Union will tell itself: Oh well, this storm will blow over. But if the West and the states allied with it, and the states of the region which themselves are affected, through their action succeed in making the Soviet Union fail in its attempt to establish order in Afghanistan as it sees it, then this will be much more weighty for future actions in the decisions of the Politburo.

[Question] Would you venture a forecast as to the longer-term consequences of Afghanistan's occupation for the USSR in the Third World and among the nonaligned states?

[Answer] Viewed on a short-term basis it may be that this concentrated, massive military action will have the success desired by the Soviets, namely, consolidating a puppet regime and throwing back the rebels. In the long run, however, it would seem to me that this Soviet action not only is a violation of international law but is also a strategic mistake by the Soviets. In 1968 the Soviet Union also insured order in Czechoslovakia, according to its own interpretation. But by doing this it merely evoked a situation where any ideological backing in Eastern Europe has dwindled. If the Soviet Union dissipates its energies in Afghanistan--and there are many indications that this will not be a swift, clean military action but a laborious and long war--the danger exists that 5, 10 years from now the chances of the Soviet Union to continue being a multinational state--just think that 45 to 50 million Soviet citizens are Muslims--and the chances of the Soviet Union to make its interests in the Third World prevail in ways different from massive military power will become much more doubtful than they are today.

CSO: 3103

## AFGHANISTAN MARKS BEGINNING OF STRUGGLE FOR OIL

DW101020 Frankfurt FRANKFURTER ALLGEMEINE in German 9 Jan 80 p 1 DW

[Editorial by Fritz Ullrich Fack: "Overture to the Struggle for Oil"]

[Text] The struggle for oil, which is still the world's most important energy source, has been opened. With a bang the Soviet Union put the bludgeon on the table in Afghanistan as a warning to all disobedient inhabitants of this richest oil region on earth. The Near and Middle East still account for the extraction of one third of the world's oil; the East Bloc commands another quarter. In our country four out of ten tons of oil consumed come from this region.

Since the oil crisis of 1973, since it became obvious how sensitively the energy-dependent economies of the West react to any disturbance of the oil supply--and how tangibly the East Bloc is affected by such disturbance shortly afterwards--Moscow has been trying to enhance its influence in that region. At the same time, or alternately, it put its stakes on the Libyan, the Syrian and the Iraqi card; it systematically fanned the Israeli-Arab conflict, and finally it even tried to exploit for its own ends the revolution of the ayatollahs in Iran. Nothing had been more welcome to the Kremlin leadership than the loss of face by the United States in the course of the hostage drama in Tehran.

The Soviet Union has accomplished quite a lot with this strategy, but not the decisive change: The turn of the Middle East oil states away from the West. The potentates of these countries instead continue to transact lucrative (oil) business with the West, notwithstanding all politically or religiously motivated disaccord with it. Hence, more openmindedness toward the main strategic objective of the Soviet Union in that region can be achieved only if the wavering political figures there are subjected to harder pressure, and if it is made clear to them that they cannot expect any help from their Western business partners in the event of crisis. Afghanistan serves as an example.

Aside from that the Kremlin wants to show that it sticks by its people and that even a civil war like the one in Afghanistan must not be a cause for

overthrowing a regime installed by Moscow--in this case in April 1978--let alone by a man of dubious stance like the late Amin. It was clear that the violent coup would elicit worldwide outrage. But to begin with, this effect was desired indeed for the sake of the main goal, intimidation; and secondly, Moscow surely trusted that the chamberlain figures of the present epoch would render their service.

And in fact Willy Brandt did not hesitate to draw from the invasion the well-known conclusion that the world still suffers from too little and not from too much detente and that, hence, more must be done for detente. But the chancellor, too, in his (amended) New Year's speech defined his stance on the issue in but one sentence: "In this connection we cannot withhold our concern about the action by the Soviet Union and its allies in Asia and Africa." The timing included, this was a lame reaction which disclosed uncertainty but which, above all, was totally inappropriate. Genscher's subsequent statements somewhat mitigated this impression. Yet, the Federal Government has shrunk back from an unequivocal condemnation of the act of violence to this day. Margaret Thatcher, after all, has called off Gromyko's visit to London, dispatched her secretary of foreign and commonwealth affairs to the crisis area and sent back to the Kremlin as inadequate a letter of justification.

The Federal Government so far has not gone beyond the formula of the "extremely serious matter." Nothing has been heard from it to the effect that it is no longer the Puban foreign legion which is looking after the business of world revolution but the Russians themselves. Nothing about the fact that the Soviet urge for expansion is transgressing the bloc boundaries. Nor anything about the fact that the thrust is aimed at the vital nerve of Western energy supply, the Persian Gulf. And all becomes totally quiet when the question concerning active solidarity with the United States crops up.

The Soviet calculations would pan out as they did in Prague and Budapest, the world would calm down again just as it did after the events of Indochina or Angola were it not--and it is sad to say this--for the urge for freedom of the Afghans and their religiously motivated enmity to the Soviet system. But as matters stand the conflict will continue to smoulder for a while yet, abetted by the geographical conditions of the country and supported by the shocked neighbors who see their slanted "nonaligned status" disavowed in a dramatic way.

People in some West European capitals may hope that Soviet policy thereby will isolate itself without their doing much about it. This convenient and politically cheap attitude overlooks the extent to which the weight of the Soviet Union has already increased so far in the Orient owing to the dwindling Western influence. In this crisis the West is up for the rest once and for all, as far as the countries of this region are concerned: Will it back down or not? If it does, Moscow's calculations on Afghanistan will pan out, then the Soviet force field will fully develop its effect. People in Washington seem to have comprehended that. From Bonn, however, only vague things can be heard.

NEW GOVERNMENT BONDS INTRODUCED FOR PRIVATE CITIZENS

Hamburg DER SPIEGEL in German 3 Dec 79 pp 110, 112

[Article: "Smaller World"]

[Text] Where money is concerned, Bonn's finance minister, Hans Matthoefer, always has the same problems: he has too little.

Next year Matthoefer will have to borrow about DM 25 billion in order to be able to cover government expenditures. Since the beginning of this week Matthoefer has been encouraging familiar financial backers to participate more: namely, the citizens of the FRG.

Since Monday the minister has been offering for sale, with so-called government debentures, a new kind of bond paper: unlike normal government bonds, which come due in 6 to 10 years, the finance minister must pay back those who buy his debenture bonds after only 5 years.

Another peculiarity: while ordinary government bonds are available to everyone, these debenture bonds may only be deposited by resident private persons or by institutions "serving community, charitable, or religious purposes."

In this way Matthoefer has excluded one set of prospective buyers not immediately concerned with charitable ends, i.e., credit institutions, from being the first to buy. Hence it is understandable that, already months ahead of time, financial dealers perceived the new government issue as "a source of disturbances and strains on the capital market."

Banks and savings associations apparently fear that the debentures will drive up interest rates. This is because, in everyone's experience, new investment opportunities would have to pay particularly attractive rates of interest in order to even arouse investors' attention. According to the accusations of the money people, this bond issue will simply soak up that money which credit institutions until now collected from private savings accounts.

This is also precisely what Matthoefer has in mind. At the end of last year, a report of his council of experts had advised Bonn's contractor of debts to borrow more from private citizens than from the banks.

For the same credit institutions which cover about 70 percent of the federal debt do exactly what Matthoefer is doing: they use their clients' savings to buy promissory notes from the government.

Business is particularly good for banks and savings associations during those times when the economy tends less towards borrowing--the more so as the enterprise continues to be extremely profitable: while the mass of savings customers is fobbed off with the current meager rate of 4 percent interest, the government pays a few percentage points more.

The gains from this simple brokering activity, in the view of Matthoefer's ministry, could just as well remain with the savings customers. Besides, savings flow in a fine, steady fashion; banks and savings institutions, on the other hand, only come to the government when the wide world of money out there can't offer something better.

For the smaller world of the savings depositors the new debenture bonds are not a bad bargain. The paper presently brings a return of just 8 percent, and, what is more, anyone who wishes to get rid of his debenture bonds again before the official due date can, as with ordinary government bonds, redeem them against hard currency on the stock exchange.

Thus, Matthoefer's officials foresee good chances of selling. According to one estimate, DM 10 million could in this way be raised per day. State money buyers would thus have managed to break into the traditional business of the credit institutions for the second time.

Already during the past 10 years Bonn has been registering considerable sales successes with its federal treasury certificates. At the end of last year Bonn easily borrowed 25 billion against its little treasury certificates. These popular money-letters produce profits particularly for patient investors: in the course of the 6 years interest rises each year. Unlike debenture and other government bonds, treasury certificates are not traded on the exchange, hence they cannot gain or lose value with the ups and downs of the currency.

However, despite all the exertions of the government debt managers, credit institutions have no cause for concern: Matthoefer's people will still not directly appropriate the money of private citizens. Germans have still faithfully accumulated a good DM 470 billion in low-interest savings accounts.



ARMED FORCES CHIEFS GIVE VIEWS ON WEAPONS, STRATEGY

Interview of General Poeppel

Bonn WEHRTECHNIK in German Dec 79 pp 15-19

[Interview of Lt Gen Hans Poeppel by Wolfgang Flume: "Reorganization of Field Army Beginning -- Effectiveness of Territorial Army To Be Increased"; date and place of interview not given]

[Text] Lt Gen Hans Poeppel has been inspector of the army since 1 April 1979. Asked about his goals, the inspector mentioned these four: improvement of noncommissioned officer training; improvement of young soldiers' comprehension of the goal (the expression "motivation" was consciously avoided); increase in the effectiveness of the territorial army; improvement of command methods. Lt Gen Poeppel indicated in the interview with WEHRTECHNIK that he was impressed during this year's large-scale maneuvers -- which he incidentally considers unavoidable in the future as well -- by the soldiers' preparedness, and particularly by the commitment of the reservists. Among the issues raised by WT were the preparation of the troops for taking delivery of the Leopard 2 battle tank -- "better than with other weapons systems" -- the conception for the battle tank's escort vehicles, which Lt Gen Poeppel would prefer to see called "complementary vehicles" and the combat role of the battle tank, for which the army inspector sees no alternative in the foreseeable future.

[Question] The fall maneuvers again attracted great attention. Were you satisfied with them, and what conclusions have you been able to draw to date from the way they went?

[Answer] This year's fall maneuvers, with which I am totally satisfied, showed a high level of preparedness by commanders and troops. We can be justifiably proud of this. These exercises provided us with a great deal



of important information -- permit me to select what are probably the three most important points:

First: In the future we shall also not be able to dispense with large-scale maneuvers, and there are several reasons for this: Only fairly large exercises can reproduce realistic combat conditions together with the resulting burdens on command personnel and troops. Furthermore, collaboration with the allies -- the big fall maneuvers are indeed not restricted to the Bundeswehr alone -- has to be practiced, as does the use of the air force in support of the ground forces. A further basic requirement still holds: Every officer should have the opportunity in his respective position to lead his units at least once or twice -- his battalion, brigade, division or corps. The cycles of personnel changes thus make it necessary to conduct large-scale maneuvers every year. But it is true -- and perhaps this is the second point -- that these maneuvers have meanwhile arrived at a limit as regards expense and organization. Here it is a question of finding future solutions that will do justice to the welcome interest in the Bundeswehr by the public as well as the requirements of an efficient and economical plan for the exercises.

With regard to the third point, the integration of highly sophisticated weapons systems in combat under often difficult tactical conditions places increasingly heavy demands on basic and advanced training for commanders. Greater emphasis must be placed on tactical ability and flexible leadership. Salaries, personnel selection and training must meet these higher demands.

#### Large-Scale Maneuvers -- Not Always at the Same Location

[Question] This year's large exercise by the I Corps took place in the Ems region for the first time and, moreover, in a north-south direction. Some observers have drawn their own particular conclusions about this with reference to "detente." What was the reason for holding the maneuvers there?

[Answer] The reason was quite simply our effort to avoid always having the maneuvers -- which of course also entail certain adverse conditions for the civilian population -- in the same location, near troop training areas.

#### Field Army Adapted to New Structure by 1981

[Question] The new army structure was approved at the end of 1978 by your predecessor, Lt Gen Hildebrandt. How far along is the reorganization that is involved in implementing this new army structure?

[Answer] I took over a complete plan that must now be implemented. Following a review of the situation, I came to the conclusion that this implementation must not be improvised because of the magnitude of the tasks

involved. The organizational bases have now been worked out; the troops have been informed and are preparing for the reorganization.

The changeover will go like this: In the first quarter of the coming year the tank brigade in Munster will be reorganized, followed by four brigades every 6 months, so by the end of 1981 the field army will have been adapted to the new structure. Then comes the restructuring of the territorial army, which, as you know, depends upon the field army for its supply of heavy equipment. Most of the territorial army will come under the new structure by 1985.

#### Leopard 2: Enormous Qualitative Leap

[Question] In late October the Bundeswehr took delivery of the first mass-produced Leopard 2's. Are the troops adequately prepared to adopt this weapons system, which is certainly more complicated than the Leopard-1 models?

[Answer] Despite certain characteristics in common with the Leopard 1, the Leopard 2 represents to us an enormous qualitative leap forward. It therefore also means a training challenge. Consequently, it is good that we will not be receiving large numbers of the Leopard 2 in the initial months so that we may first gain experience with it at schools and in the demonstration brigade.

#### Broad Measures Under Way for Adoption

I should like to mention a few measures in particular that will facilitate adoption of the Leopard 2 to a considerable extent. At an early date we sent tank corps and technical troop personnel to industry for training. And now the troop training schools are conducting retraining courses. Parallel to development of the Leopard 2, training devices were developed for the tank troops and technical troops; this equipment will be available as soon as we start to take delivery. By the way, this is the first time we have been able to do this. At the same time, it is a big help to us that the Leopard 2 is logistically far more sophisticated than all other comparable weapons to date. In addition, the service regulations are largely completed, so at this time we are actually farther along than has been the case with the introduction of other weapons systems -- this can be stated quite clearly. Perhaps this will stimulate other firms to turn over to us not only a finished project but also all the necessary aids for training and deployment at the same time.

#### No Present Alternative to Battle Tank

[Question] Will the battle tank continue to be the dominant battlefield weapon in the future, or will it be replaced by other means?

[Answer] This question must be answered from the standpoint of the future threat: In the event of a conflict, our main opponent would be the enemy's tank forces. It is an undisputed fact that until now the tank has been, and in the foreseeable future will continue to be, the most effective anti-tank weapon -- there will be no substitute for it within a foreseeable period. Nor is there evidence of other technologies or technical means that combine fire power, mobility and survivability better than does the battle tank, or that are better suited to antitank combat.

Moreover, our mission demands that we not only preserve the integrity of our territory but also reestablish it if necessary. For this we need armored forces which from a defensive stance can regain lost terrain through counterattacks. Thus, the battle tank will continue to be the vehicle for the dynamic element of defense and the main weapon of our army. But it should also be said that costs are increasing immensely. Together with industry we shall have to seek ways to enable us also to pay for a possible successor one day. We shall have to maintain the technical level, a level that is already very high, since technically the battle tank has come close to its optimum level. Tactically it is to be made as effective as possible through proper incorporation into a system of armored combat troops.

#### Combat Under Armored Protection

[Question] You have just given the cue for the next question: We are indeed hearing about a battle tank of the 1990's, but not about escort vehicles such as armored personnel carriers and so forth. What is the status of planning with regard to these vehicles?

[Answer] First I must take exception to the expression "escort vehicle." Involved here is more of a complement to the battle tank, virtually a pair of twins -- less in the narrower technical sense than from the standpoint of tactics. One can be used to good effect in combat only in conjunction with the other -- probably no battle without armored infantrymen is conceivable in Central Europe. The increasing effect of fire power -- not only flat trajectory fire but also artillery -- requires as a rule that the soldier fight under the protection of armor. This will lead to a family of armored vehicles that are to be classified according to these three components: armored infantrymen, vehicle-mounted guns and antitank missiles. We have conducted many studies on this and have almost arrived at the conclusion of our deliberations. At present I cannot reveal the concept to you, but this much can be said: This new concept will bring us tangible improvements over the present situation -- which is also not bad.

#### Sufficiently Qualified Personnel -- A Problem

[Question] The army's weapons systems are getting more into electronics all the time. It can be assumed that the training of crews and repair

personnel will therefore have to be more intensive. Will you be able to find the sufficiently qualified personnel you need?

[Answer] The increasing application of electronics in the army has its good aspects, but also some less desirable ones. On the one hand, it is leading to greater ease of operation; on the other, the use of electronics is causing increased technical expenditures. But it must also be taken into account in this regard that defects can be indicated by the equipment itself, thus facilitating repairs -- defective components need only be replaced, making repair easier for the troops. Nevertheless, we still need more electronics repair personnel. We are meeting this need by shifting some of the work to industry so that we can better assign the released technical personnel for the repair of electronic components. Finding sufficiently qualified personnel is in fact a problem, but not a new one. We also can point to some successes, however, since we are offering the soldiers substantial incentives in the educational sector by providing them with advanced training for higher levels of qualification -- up to the level of master or even graduate engineer in some cases. But the word on this has not yet gotten around to a sufficient extent.

[Question] Are these skilled people also being paid accordingly?

[Answer] We certainly cannot compete with every industrial corporation in this respect, but the advantages of public service and job security should not be disregarded. Looking at the situation from this point of view -- provided there is an adequate supply of enlistees, improved noncommissioned officer training and certain increases in salaries, at least for the medium term -- we can provide sufficiently qualified personnel.

#### Billet Logjam, Especially in the Army

[Question] Concerning the personnel question in general: There has long been talk of the billet logjam in the military. Is the army not particularly affected by this?

[Answer] The situation that you call a billet logjam concerns especially the army, and for this reason it is most in need of measures to combat it. I have just returned from visiting a few troop units where I gained the impression that the age groups affected are enduring this malaise -- which they did not even bring upon themselves -- with an astonishingly good attitude. There are concerns and discussions about this problem, but it is not yet a question of inroads in our preparedness. The present generation must not be made to suffer for that which once benefited an earlier generation. We must see to it that career opportunities are realized -- the young lieutenant is practically being promised that he will someday become a lieutenant colonel. We must seek a long-range solution here. The current billet logjam -- which perhaps will reoccur in 15 years -- can be corrected only by viewing it as somewhat removed from the normal career pyramid and by creating special billets for the soldiers affected, with



the territorial army or at training schools, for example. If this is not done, we shall not be able to commission any lieutenants for lack of open billets, but then these lieutenants would not be around 10 years later when they were needed.

#### No Perfection of Weapons Ad Infinitum

**[Question]** The increasing scarcity of funds has made it necessary to discontinue or cancel procurement of some new items even before completion of the development phase. Are there any guarantees for the future procurement of small numbers of weapons systems or apparatus which are needed to accomplish the defense mission but which do not require the use of sizable development funds?

**[Answer]** The number of units is itself no criteria for what we procure. For example, we had bought only four driver training simulator centers because they were accorded a very high priority. The question of what, how much and when we buy goes solely by the necessity of the training, the type of threat and operational readiness considerations. One more point in this connection: I am endeavoring to get away from the practice of pushing perfection of a weapon *ad infinitum*. We know from experience that the last 10 percent of optimization is the most costly. The second-best weapons system introduced at the right time and in sufficient numbers is more important than the very best if that best has become almost out of reach in terms of cost.

**[Question]** What were for you the most notable events, or perhaps the outstanding event, in the first 9 months of your time in office as inspector of the army?

**[Answer]** There has been an abundance of impressions and experiences during these months. The most important to me thus far were the experiences with the immense variety of the German army and with the high level of armament that we have attained.

Nevertheless, I should like to make special mention of an episode from the last big exercise, since it impressed me very much: On the very first day I came upon a light infantry battalion of the territorial army that was led exclusively by reservists. This battalion's command staff had gotten together 2 days before the call-up on a purely voluntary basis, without orders, in order to discuss and prepare without active assistance for mobilization of the unit. I consider an attitude and commitment of this kind to be quite remarkable -- and this was no isolated instance. I have experienced similar things in other exercises. These were for me impressive examples of the good will, commitment and preparedness not only of our reservists but basically of all our recruits.

#### Four Priority Tasks for the Next Few Years

[Question] What priorities will you be setting for your work next year, priorities prescribed by your work and those which you set yourself?

[Answer] To begin with an English saying: Life is what happens to you when you are making plans. It is all the more important not to lose sight of what one has proposed to do. I had set a few goals for myself at the start of my time in office -- goals which concern more the internal sphere of the armed forces, or education and training. This follows the concentration of past years on arms planning, weaponry renewal and the introduction of a new structure.

I should like to mention four improvements that I have started. First, improvements in noncommissioned officer training. The army will propose a number of measures in this area before the end of the year. My hopes here are that we will make our NCO's more confident in the performance of their duties and make their position stronger. After all, they are trainers, instructors, leaders of men and tactical commanders. This will benefit individual and crew training in particular.

Then I want to improve comprehension of our goal -- I consciously do not choose the somewhat overused word "motivation." Over and over again we find that upon leaving the service, the soldier has trouble explaining why he had to make this sacrifice, despite his readiness to serve. We shall obtain even greater benefits from this readiness if we increase the young soldiers' understanding in relation to his activity and the demands made of him. We must make our NCO's and officers more sensitive to this and better prepare them pedagogically and psychologically.

I would mention as the third point the increased effectiveness of the territorial army -- this also includes placing the territorial army on an equal and equally esteemed footing next to the field army. Work has already begun on this.

Finally -- and this is especially important to me -- I am striving to improve leadership methods. Mission and means must once again be made to coincide. Only then can we place greater emphasis on demanding and encouraging "leadership with a mission." This is the ultimate prerequisite for sufficient freedom and effectiveness for our command staff. We need both components if we are to be equipped to handle the diverse tasks of our sophisticatedly equipped and organized army at the threshold of the 1980's.



## Interview of General Obleser

Bonn WEHRTECHNIK in German Dec 79 pp 22-27

[Interview of Lt Gen Friedrich Obleser: ... "No Spectacular Measures Necessary"; date and place of interview not given]

[Text] Since 1 October 1978, Lt Gen Friedrich Obleser has been inspector of the air force, a branch of the armed forces that must always be combat-ready. Queried about the events that were decisive for him in his first year as inspector, he mentioned two things: the two accidents caused by deviation from the flight mission, which affected him deeply, and the high level of cooperation in the ministry: "I am impressed by the loyalty and type of cooperation.... But the highlight is probably the sense of common responsibility." The current work of the inspector and the air force is marked by introduction of the Tornado and the Alpha Jet, preparations for incorporation of a successor to the Nike-Hercules and the effort to reduce the heavy burdens through a high level of operational readiness by the airmen. Some good news is that the air force has no serious personnel problems. Lt Gen Friedrich Obleser talked further about Tornado weapons training in Germany, postponement of the decision on the Piaggio successor, the question of equipping aircraft with flight recorders and the cruise missile issue: "I consider it a mistake to entertain thoughts of replacing the manned delivery system with the cruise missile."

[Question] Herr General Obleser, you have now been inspector of the FRG Air Force for a little more than a year. What have been the most notable events for you during this time, or perhaps the outstanding event?

[Answer] The year has gone by so fast that I am truly hard-pressed to name a specific one. There have certainly been things that impressed me -- positively as well as negatively.

The most shocking thing was probably the realization resulting from the two accidents that we who have command responsibility apparently did not really know our units and pilots to whom we feel very close. We never thought that such deviations from the flight mission -- with their catastrophic results -- could actually happen. This realization hurt me very, very deeply because I can certainly still put myself in the place of the pilots, and it is my opinion that performance of duty -- a difficult task anyway -- ought to give enough satisfaction to each one of them. Now we are more aware of the situation and have drawn our conclusions from it, including how we can exert more of a psychological influence over the pilots.

But now for the positive things: The work in the ministry is generally described as very nerve-wracking and stressful. And it is also said to be very unsatisfactory since one can accomplish virtually nothing and is constantly subjected to constraints. I can say that I have not gained this impression. The work is of course not easy, but for me it is marked by a large measure of flexibility, confidence and freedom -- we are in a position to develop ideas and implement them as well. I do not at all feel that I'm in a straitjacket. The job requires a great deal of work -- but it is also satisfying. And another thing: I am impressed with the loyalty and kind of cooperation in the smallest circles of colleagues, with representatives of the other branches of service and with civilian offices. I have never had the feeling that anyone is trying to win laurels over or at the expense of anyone else. But the highlight is probably the sense of common responsibility. In sum: My year as inspector of the air force has brought me much enjoyment -- problems as well, of course, but it is a fascinating job.

[Question] After these noteworthy personal impressions, a question on the year just ended for the air force: Have you been able to start anything new?

#### Tactical Fighter

[Answer] The year was also characterized by our setting in motion some things that had been planned and begun by my predecessors -- consider, for example, the role of the tactical fighter in the F-4 units. The first units have now been assigned a dual role. We have also made great strides in terms of the infrastructure: with protective buildings at the airbases. We have made the much-maligned Alpha Jet into a serviceable instrument; so following a detailed assessment of troop testing, I was able to decide to introduce this weapons system as planned.

[Question] We are not assuming that we can make a 100-percent fighter into a 100-percent fighter-bomber -- and come out with a 200-percent result. The aircraft itself can be used perfectly well in both roles. Only experience will show whether we'll get an 80-percent fighter and 60-percent fighter-bomber pilot, or some other result. We intend to make certain that the primary role does not drop below a certain degree, a situation that would place the use of the system in question. We shall have to conduct further tests and studies on this. For example, it makes a difference whether you teach an old dog a new trick or a young pilot both tricks at the same time. But one thing has become obvious: The pilot learns better overall control of his aircraft, regardless of his role.

[Question] Which programs are you now focusing on besides the Tornado and Alpha Jet?

## Successor to Nike-Hercules

[Answer] If we view this from the standpoint of weapons technology, the salient feature at present is the generation change that began with the Tornado and Alpha Jet and is now taking place in the air defense sector. The improved Hawk has been a very good first step, and now the Nike-Hercules system is in urgent need of replacement. Linked with this is the introduction of a site protection system, and we assume that it will be the Roland on 10-ton overland trucks. This is where the involvement of air defense with the aerial attack forces comes in. I should like to mention in addition the TKF [tactical fighter], but this is not scheduled until the 1990's -- possibilities for international cooperation on this are presently under discussion. In the case of the TKF we know precisely what we need, in terms of both performance and volume.

It will now come down to how much of this can be done, while constantly weighing whether that part that is carried out -- if we cannot have it all -- can measure up to the threat. This is a permanent process that applies not only to the TKF.

[Question] Even though this question may sound odd in reference to the military security that the air force has to provide: Is the air force a cost-effective means?

[Answer] How would you measure that? One must be aware that the air force -- aside from a few naval units -- is still the only weapon that is actually and instantaneously available at any location within our defensive territory in the event of a questionable situation. Then it is indeed cost-effective. But one thing must be taken into account: With the increasing cost of delivery systems, we shall have to rethink the relationship between the effect of the weapons and the carrier. It is not our intention to arm a Tornado with any kind of heavy bombs. The proper ratio must exist between both carrier and weapons, and together they must yield the total effect; thus, only then are they cost-effective.

## A Mistake: Cruise Missiles Instead of Manned Aircraft

[Question] Would the cruise missile be a solution to the problem of lowering the cost of complex delivery systems?

[Answer] Once before, many years ago with the advent of guided missiles, the demise of the manned aircraft had been predicted -- now there is a similar situation with cruise missiles. Part of the target spectrum can certainly be covered by unmanned missiles of short, medium and longer range; we are keeping precise track of this. However, many things cannot be done with cruise missiles; for instance, the establishment of main air defense efforts in places where ground-based air defense no longer exists or cannot operate. This cannot be done with a missile -- for that you need an air-to-air rocket; in other words, also a delivery system.

A cruise missile with a nuclear warhead can increase the deterrent substantially if available, but the load capacity is by no means sufficient for conventional deployment, even with a combat weight of 1,000 kg. I consider it a mistake to entertain thoughts of replacing the manned delivery system with the cruise missile.

#### Ammunition Stockpile Meets NATO Standards

[Question] If you are indicating that an aircraft is really only a delivery system for transporting a weapon to the target, what is the situation with the air force's weaponry concept for your aircraft?

[Answer] You must understand that I cannot go into detail here. Of course the air force has a weaponry concept. We are presently in a relatively favorable situation since the complement of our ammunition stockpile conforms absolutely to the NATO standard. Now to make a projection: In the future it will be possible to perform our duties using the present generation of weapons only by being very uneconomical; the cost -- the number of weapons and missions needed to attack a specific target -- will be too high. Although the next generation will be more expensive per item, we shall arrive at a substantially more favorable relationship between outlay and effect. We do have an air force concept for this that has been accepted by the leadership and is now being procured in accordance with existing possibilities. Money has been allocated for it.

#### Tornado Weapons Training in Germany for the Time Being

[Question] Weapons training for Tornado crews was originally planned on a trilateral basis. Now not all the nations are going along with this. What will the training of pilots and combat observers be like and where will it take place?

[Answer] Trinational weapons training for crews was scheduled to follow the also trinational conversion training in Cottesmore, England. At the time the idea of joint weapons training was born, several factors could not yet be foreseen, such as local and financial problems. And we would have had to lock ourselves into a faster timetable in terms of finances, but also training phases, at a time when we did not consider all the problems to have been solved. After the Italians withdrew from the project for the same reasons of imponderability, we also had to pass when the British demanded of us a very quick decision and we saw that some of the conditions necessary for a follow-up to the training in Cottesmore were lacking. We therefore decided to forgo for the time being the follow-up training in Honington and set up a purely national weapons training program. It must be noted here that the first crews to be retained on the Tornado have already been fully trained in weapons technology and thus require no basic weapons training.



The first unit will be assigned a team that will pass on weapons-use information specific to the Tornado.

[Question] But that is not a long-range solution, is it?

[Answer] True, it is to be considered only a short-range solution. Our next step is scheduled to be weapons training at a regular ordnance school for those crews which have not yet received training in weapons technology -- Jever has been selected as best suited for this. Our assumption is that the second or third squadron to be retrained on the Tornado will go through this school. Nevertheless, in the more distant future there is a definite possibility of arriving at a trinational weapons training program -- probably not in Europe, however; perhaps in Canada. But all these considerations are still in the incubation stage.

#### Piaggio To Be Retained

[Question] A decision on the matter of a successor to the Piaggio had been expected this year. Why has this decision not yet been made? And are there plans with regard to entirely new directions in the training of the pilots?

[Answer] The Piaggio is being employed essentially for preliminary selection -- for so-called screening; in other words, it is used to ascertain the practical aptitude of pilot aspirants. Contrary to the original assumption that the aircraft would have to be replaced beginning as early as 1980/81, it has definitely proven its value for this task. With respect to its longevity, which has repeatedly been calculated and checked, a new examination has revealed that immediate replacement is not necessary. This is relatively normal, since F-104G's and G-91's are also inspected regularly, and they are also being kept in service longer insofar as this is structurally possible and economically justifiable. Thus, it was possible to postpone a decision on the Piaggio successor for a time. As a possible solution, the Fan Trainer has great performance potential, but since we need the aircraft only for training, we could not make full use of all its possibilities because the training is done entirely in the United States. And this training will definitely continue to be done there because it relieves us of a number of burdens -- just consider our problems like airspace, the airspace structure, noise and so forth. We are grateful for every hour that we can log overseas without jeopardizing our preparedness.

#### No Shortage of Pilots

[Question] What does the personnel problem look like in the case of flight crews? Are the FRG's personnel resources large enough to provide air force weapons systems with two-man crews?

[Answer] There are no problems with the units that are now converting from the one-seater G-91's and F-104G's to the Alpha Jet or Tornado, but there are indications that the rush to get on a flight crew is remaining within bounds. As you know, there are many different reasons for this -- the apparent freedom of flying in the third dimension is indeed somewhat dampened by the many restrictions that a pilot has to accept. And noise-pollution and environmental campaigns are not without affect. Nevertheless, I am assuming an adequate supply of pilots. Perhaps in the future we shall have to do more with recruiting than we have in the past, but I do not foresee a shortage.

[Question] Will the decision on whether to make the TKF a one-man or two-man aircraft be partly determined by the fact that the 1990's will see the induction of those born in low birthrate years, which would potentially mean insufficient numbers of qualified available personnel?

[Answer] A decision on a one-man or two-man aircraft will certainly be made with 90 percent of the weight given to tactical and operational considerations, not personnel angles. In any case, the TKF will supplant the two-seater F-4, so we shall not need more pilots and combat observers.

[Question] Does the air force have problems similar to those of the army and navy in terms of the promotion and billet logjam?

[Answer] We do have that problem, too, but it is not so critical in our case. Since we have a somewhat different age structure, the phases are different for us, but we could be facing the same problems in a few years.

[Question] Has the BO [career officer] 41 program proven successful, where you have the career officer retiring at the age of 41?

[Answer] In principle, yes. The motivation is very different here as well. It depends on the work situation, on the possibility of converting to a civilian career at 41 -- the good ones have absolutely no difficulty. The decision to institute this program was a correct one because by the age of 40, the flight crews are at the peak of their capabilities.

#### Flight Recorders Not Urgently Needed

[Question] The regrettable accidents brought a public discussion of why air force planes are not equipped with flight recorders. Why has the Tornado been fitted with maintenance recorders and not also with flight recorders from the very outset?

[Answer] As you remarked, this discussion was kindled when we were forced to acknowledge, contrary to our former opinion, that some crews were not quite so disciplined as we had expected. Although a flight recorder could have proven something in the case of the two accidents, it costs a great



deal; since it is purely a control instrument, it takes up space and weight but has no operational value whatsoever. With regard to the Tornado, I must add that it has a combined crash-recorder and maintenance recorder, by the way. I do not consider a flight recorder to be so urgently necessary.

[Question] Do you mean that we cannot generalize from the two accidents?

[Answer] Absolutely not. I think this was a great shock for everyone, but increased airspace monitoring has determined that these regrettable and certainly unexpected accidents were isolated acts that may not be generalized. Just on this basis it is evident that the high cost of installing flight recorders is not justified.

[Question] What will your work priorities be next year?

Cutback in Working Hours

[Answer] They will certainly derive from the introduction of the new Alpha Jet and Tornado systems. From the standpoint of air defense, they will lie with preparations for converting to the successor to the Nike-Hercules system. In the personnel sector we shall have to find solutions to the problem of reducing the heavy burden of working hours necessitated by the constant state of readiness. The willingness of our airmen assigned to air defense to accept this heavy burden cannot be expected to go on forever. And it will not be possible to come up with solely national solutions -- negotiations with NATO will be needed on this to determine whether the heavy readiness demands are justified. It is my considered opinion that we must demand this of our airmen, and I am happy to say that they are doing it without complaining -- but they must also understand the reason for it. We shall certainly encounter personnel bottlenecks here and there and will be making the transition to new training systems resulting from new technical specialties, but I see no problems that would call for spectacular measures.

#### Interview of Admiral Luther

Bonn WEHRTECHNIK in German Dec 79 pp 29-32

[Interview of Vice-Admiral Guenter Luther by Egbert Thomer: "'The Combat Effectiveness of a Navy Is Determined by People, Not by Tonnage'"; date and place of interview not given]

[Text] Since 1 April 1975, Vice-Admiral Guenter Luther has been inspector of the navy, a high-technology military branch that has undergone a remarkable process of modernization in recent years. In addition to 20 missile-launching fast patrol boats of the 148 Class and 10 missile patrol boats of the 143 Class, Class 331-B minechasers

have been commissioned; the Class 122 frigate program is also under way, with completion expected in 1984. An important factor in carrying out the frigate program was the decision to procure 12 Sea Lynx shipboard-based helicopters, which constitute an integral part of the weapons spectrum of these ships. The goal of an extensive standardization of models remains. Accordingly, without adversely affecting its SAR [search and rescue] capability, the successful Sea King is to be modified for use as a combat helicopter. With the introduction of the Tornado weapons system, the navy will have reduced its targeted number of aircraft by about 10 percent with 112 MRCA's. The combat squadrons, however, will continue to have 18 operational aircraft at their disposal.

[Question] At the time the frigate Bremen was christened, the first of the Class 122 ships, the major importance of this weapons system was pointed out. Herr Admiral Luther, are you satisfied with the advances that have been made under this program? Will the navy now need more frigates of this type to perform its duties -- perhaps 8 or even 12?

[Answer] First let me say that the procurement program for the first six frigates is proceeding as planned. The tight schedules have thus far essentially been adhered to. The first frigate, the Bremen, can be commissioned as planned in September 1981 according to what we know now.

The keel of the second ship was laid on 9 November 1979 at Weser AG [corporation]. Blohm + Voss has begun construction preparations for the third and fourth vessels. The rest will be built at the Thyssen/North Sea Yards, the Emden shipyards and Kiel's HDW [Howaldt Works, German Shipyard Corporation]. Given the scheduled intervals of 9 months and/or 6 months for commissioning of the frigates, the entire construction program is expected to be completed in 1984.

I am also satisfied with the decision by the parliamentary committees on selection of the shipboard-based helicopter. This made it possible to bridge a critical phase in the building program with respect to time, because the choice of model naturally influences the design, chiefly in the area of the stern.

Now as far as the required number of surface warships is concerned, we can say that the navy has already reduced to 17 its original inventory of 19 warships needed for its responsibilities in the North Sea. This was accomplished by retiring two units of the Fletcher class which were needed as material reserves for the four destroyers of this World War II variety that are still in service. At the same time, however, a careful analysis convinced us that the German contribution to the security of regional sea lanes can be accomplished by employing the most modern technologies with 15 efficient units for up to three task forces.

The original plan was for all warships -- with the exception of three missile destroyers of the Luetjens class -- to be replaced by 12 frigates of the 122 Class in the course of the 1980's. But financial motives forced us to rethink this plan, which at the same time pointed up the need for extensive standardization of models.

Our goal today is to increase the first batch of six ships to be procured by two frigates of the 122 Class. This step would permit us to retire all six frigates of the obsolete Cologne class in addition to the Fletcher destroyers. The operational advantages in the areas of logistics, training and material conservation produced by the resulting elimination of models are obvious. Moreover, the mass-production effect would also lead to reduced costs.

Replacements for the Hamburg- and Luetjens-class destroyers, which are to be gradually adapted to the altered threat, could then be combined in the 1990's and accomplished through a second batch totaling seven new warships. This would constitute an additional advantage for long-range planning: Warships would not have to be completely replaced within relatively brief periods, but in clearly graduated phases. The dropoffs in combat strength that occur periodically could thus be smoothed out.

#### Counter the Submarine Threat on Broad Scale

[Question] Does the frigate program reflect the weight that the German navy accords to antisubmarine warfare?

[Answer] The concept of the F-122 frigate is oriented toward the multiple threat in our areas of operation. As multipurpose warships, they are equipped to defend equally against aerial, surface and underwater threats. To this extent, the antisubmarine components constitute only a part -- albeit an essential part -- of the weapons system.

But this subchaser capability is especially important to our particular waters, which favor the use of submarines. In this regard, the outfitting of the frigates with sensors and weapons of different quality takes this threat into account -- not least by virtue of the sensor- and weapon-carrying shipboard-based helicopter as an integrated part of the ship's weapons system.

In addition, the vessel's capacity for close operational/tactical cooperation with aircraft assigned to monitor surrounding waters and with anti-submarine aircraft has met with high regard.

This close association by various complementary means -- ships, helicopters and aircraft -- makes it possible to counter the submarine threat on a broad scale and to locate and engage attacking subs while they are still beyond the range of their weapons.

## Interoperability Crucial

[Question] Is the Frigate 122 the only international NATO procurement program in which the German navy is participating? Why is it not cooperating on the trilateral minechaser project of the French, Belgians and Dutch?

[Answer] First of all it must be established that the navy has participated in international projects under NATO in the past as well. Among them are the Breguet Atlantic -- in use in France, The Netherlands and Italy -- the 206 submarine, the Sea King SAR helicopter and not least of all the Tornado multipurpose combat aircraft; another was the Sea Lynx shipboard-based helicopter that is being used by all the countries bordering on the North Sea.

And international cooperation -- thus, standardization as well -- is more marked than it sometimes would appear in the broad field of sensors and effectors, with radar and sonar devices, telecommunications and weapons -- torpedoes, missiles and artillery.

In answer to your question about German participation in the trilateral minechaser project of France, The Netherlands and Belgium, I can say that our plans for converting coastal minesweepers into minechasers had already taken concrete shape at a time when the three partners had just begun their project. Ours was concluded this year with the commissioning of the 12th boat -- and at the same time we found an especially favorable solution in terms of costs.

Moreover, we are observing the progress of the Eridan program you mentioned very carefully. We are being kept fully apprised of the situation at all times and might possibly return to it if we should require an expansion or renovation of our minechaser components.

Let me add this on the issue of standardization: Standardization is a necessity of our time -- for reasons of economy, cooperation and interoperability. The broader the base, the better. International standardization is a good thing, but for a small navy in particular, national standardization carries its own very special weight -- especially in the case of installations, instruments, weapons and component systems.

Different missions, different kinds of threat factors, but also the geographic and hydrographic peculiarities of operations areas influence the makeup and outfitting of means of naval warfare. But of crucial importance is their joint deployment capability. Interoperability and uniform tactical principles and procedures are thus decisive criteria. And it is in this particular area -- in my opinion -- that the NATO navies have made exemplary progress. This has been shown repeatedly with maneuvers, but also with the operations of the multinational STANAVFORLANT and STANAVFORCHAN groups.

## Joint Projects of the Future

**[Question]** Will the Ermiss minesweeper system remain the sole international program?

**[Answer]** No, as shown by the aforementioned examples of international cooperation. NATO's Ermiss project is presently a study phase based on a government agreement among five nations. Here it will be determined whether the technology in question can offer a cost-effective minesweeping solution -- also in our operations areas. A decision on how to proceed further will not be made until the results of this study are available.

In addition, we are interested and active partners in the various working groups of the NATO Naval Armament Groups. One of their many projects for the future is a search for joint ways to accomplish the tasks of NATO frigates for the 1990's.

## Sea King To Become Combat Helicopter

**[Question]** Prior to the decision to procure the **[Sea]** Lynx, the intention in selecting a shipboard-based helicopter was to seek the greatest possible number of features in common with the navy's future combat helicopter. What about the naval combat helicopter and its operational spectrum?

**[Answer]** We do plan consistent further pursuit of this goal of extensive standardization of models -- on a long-range basis. The thing is that there was no indication of a common solution at the time of the helicopter decision, especially since the original combat helicopter concept cannot be realized in the 1980's for a variety of reasons -- including those involving finances and personnel.

We are now going to modify the high-performance and proven Sea King -- without affecting its SAR capability -- so that it can assume the role of a combat helicopter. The modified version will be available to the navy by the mid-1980's and will remain in use until into the 1990's. This cost-favorable solution will lead to more rapid availability, reduce the burden on personnel and give us the opportunity to acquire comprehensive experience and knowledge in the use of combat helicopters at sea. The helicopter must not be viewed from an isolated standpoint in this regard, for the principle of combined weapons combat has always applied to naval warfare. As a weapons carrier -- we are considering missile armament -- it will of course also improve its own combat strength. Mainly, however, as a sensor carrier it is to contribute to a rapid gathering of information and determination of position, while at the same time expanding the limited radar horizon of ships and boats in such a way that optimum use can be made of the range of their anti-surface-ship missiles.



In the 1990's, the question will probably arise, also for our European partners, of a new generation of helicopters for ship-based operations and for combat, SAR, transport and liaison services. I foresee in this a good opportunity for joint development and extensive standardization on the national and international level.

[Question] The navy's fighter-bombers and F-104G reconnaissance planes are going to be replaced on an almost 1 : 1 basis by the Tornado multi-purpose combat aircraft. What is the reason for this especially favorable replacement ratio? Have the naval fliers been given additional duties? Is this related to an increased threat?

[Answer] With the introduction of the Tornado weapons system, the navy will be reducing its targeted number of aircraft by about 10 percent with 112 MRCA's. But the combat squadrons will actually still have 18 operational aircraft at their disposal. This does not signify an expansion of the duty spectrum for naval fliers, however, although it is open to dispute whether the Tornado exhibits substantially better performance characteristics than the F-104G. This is probably an expression of the importance the navy ascribes to accomplishment of the mission by its flight components.

The Tornado is an all-weather system with a large weapons-carrying capacity, great range and ability to penetrate. The Tornado embodies the replacement of an obsolescent aircraft by a weapons system more appropriate to the threat. We are using increased capacity and effectiveness to counter a threat that has changed in both quantitative and qualitative terms.

To this extent, conversion to the Tornado corresponds to the modernization measures that have largely already been implemented or are in the process of being carried out with warships.

#### Combination of Complementary Means of Naval Warfare

[Question] Figuratively speaking, the navy is increasing its flying components almost more conspicuously than its naval forces. Besides the 112 Tornados, it will be receiving 12 shipboard-based helicopters and modernizing 15 Atlantics. Its SAR helicopters are being turned into means of combat. The supply of guided missiles is increasing all the time. The question arises: Why have ships at all? Are not land-based aircraft and guided missiles more effective than the floating defense force?

[Answer] The navy has always pursued the principle of the "balanced fleet" in order to be able at any time to mount an appropriate response to the many and varied maritime threats in its areas of operation. Nor does the modernization that is necessary in many sectors deviate from this principle; it by no means assigns a higher priority to navy pilots.

As was mentioned earlier, introduction of the Tornado means simply that a modern fighter-bomber suited to the increased threat will be taking the place of the navy's F-104G.

The shipboard-based helicopter is a necessary integral component of the modern frigate. May I remind you here of my remarks on the frigate and helicopter program.

Modernization of some components of the Atlantic, which has been in service since 1967, is designed to assure its effective use into the 1990's.

The introduction of guided missiles on floating and flying means of naval warfare corresponds to present tactical requirements of naval warfare. The Warsaw Pact fleets had long been ahead of and superior to us in this area.

One can certainly not draw from these necessary changes the conclusion that ships and boats are not needed for accomplishment of the mission in the Baltic and North seas or that aircraft and land-based guided missiles could be effective substitutes. By day and night and under almost all weather conditions, the potential enemy at sea will make use of the three dimensions of naval warfare to achieve its aims. Added to this is the fact that this enemy -- particularly in the Baltic Sea area -- can deploy a potential that is vastly superior in numbers at rapidly changing points of concentration.

Consequently, the prerequisites for a successful defense continue to be the capacity to counter a threat at any location and any time using the navy's own forces and means in the same manner as the enemy, the ability to establish our own points of concentration more rapidly and the ability to make use of the geography of the area, including the depths. This requires a combination of sufficient varieties of means of naval warfare that are capable of penetration, flexible in deployment and complementary in their effects. The navy has such means at its disposal in the form of ships/boats/submarines, aircraft and helicopters.

Any reduction of the navy's own defense capabilities, particularly those that are decisively dependent upon intact bases on land -- like aircraft and land-based guided missiles -- would have to improve the chances of success of a potential aggressor.

Added to this is the fact that the navy has other duties besides combat to perform. In times of peace, and especially in times of tension, it must use its presence at sea to help protect German maritime interests, provide reconnaissance and possibly defuse crises in accordance with the wishes of the political leadership. It is obvious that ships and boats -- not least because of their ability to maintain position for lengthy periods in the designated area -- are more appropriate and more effective

instruments than land-based stationary weapons systems or even flying ones.

#### New Submarines in the 1990's

**[Question]** Herr Admiral, when do you foresee the introduction of a new generation of submarines, and what improvements will characterize these vessels?

**[Answer]** The last submarine of the 206 Class was commissioned in May of 1975. This constituted the conclusion of this building program.

As the result of a timely adaptation of this vessel's fighting power to the changed threat and the timely use of advanced technical developments, replacement will not be necessary before the mid-1990's. The navy and the defense technology industry are presently conducting joint studies on the technically necessary design of follow-up models. We shall have to take into account the peculiarities of geography in this regard, but also the increasing capabilities of Warsaw Pact navies in the area of subchasing. In attempts to increase the capacity for penetration and survivability, these studies will certainly encounter the question of a propulsion system that is not dependent upon an outside air source, plus the demand for sensors and weapons.

There are no specific conceptions that go beyond this, however, and probable costs and the expected budget outline will also play a substantial role in the realization studies.

Permit me to refer back briefly to the Class 206 submarines. As "enemies" that are difficult to detect, they are extremely welcome partners in all naval maneuvers, not only with our navy but also the navies of our allies. Supplementary measures designed to increase the fighting power of these modern warships are always justified.

#### Current Projects Financially Assured

**[Question]** Budget funds for development and procurement of new weapons systems are worse than tight. Has this fact already caused you to forgo important maritime procurement projects?

**[Answer]** The financial leeway for developments and procurements has indeed become small, yet thus far we have not had to delete any high-priority project. It is true, though, that we have had to accept extensions and/or postponements of planned projects -- in the case of the second batch of F-122 frigates, for example.

And finally, it must not be overlooked that current procurement projects for the next few years have already tied up a substantial portion of

the budgetary appropriations for investments. Additional tactical requirements, technical developments and especially the inflationary trend have produced price increases that necessitate constant adjustment of medium- and long-range procurement planning to the prescribed financial outline. Different inflationary and economic developments with partner countries can naturally have an additional effect -- depending upon the degree of cooperation.

#### Consolidation of Personnel Situation

[Question] Herr Admiral, what have been for you the most notable events in this year that is ending?

[Answer] I should like to put at the top of the list the christening of the first F-122 frigate under the name Bremen, as well as the scheduled laying of the keel for the second vessel. I see in these events -- but particularly in our adherence to the prescribed cost outline -- a confirmation of the fact that thorough and careful preliminary work was performed.

The keel was also laid for the first of the Class 143A fast patrol boats. Time schedules and cost outlines were adhered to here as well. The same is true for the Troika antimine defense system.

And the commissioning of the 12th minehunter of the 331 Class on 28 June 1979 brought this navy procurement program to a successful conclusion. Systematic groundwork and resolute training support made it possible to bring this new system to the level of operational readiness in a remarkably smooth manner.

The start of mass production of the Tornado multipurpose combat aircraft assures us that rearmament of the 1st Naval Air Squadron in Schleswig/Jagel can be accomplished by the beginning of 1982. The continuity of the navy's modernization program thus appears to me to be assured, as does the continued accomplishment of its mission.

Moreover, it fills me with satisfaction and confidence to observe that 1979 was a year that saw the navy further consolidate its personnel situation. The reenlistment figure of 75 percent among the seamen was the best result to date in our efforts to improve the personnel structure.

I am well aware in this regard that figures have only conditional validity, but this new growth also produced a qualitative improvement of our personnel situation, even though not to the same degree in all ranks.

I also see in this trend some initial results of our intensive and constant efforts to improve our numbers of volunteers and the attractiveness of serving in the navy. One aspect of this is the number of interesting and direct parallels with civilian career applications which the

high-technology navy has in special measure. The other aspect is regard for the principles of information and indoctrination based on discipline, motivation and the desire of each one to perform.

We must constantly strive for the congruency of human and material potentials, and not succumb to the fascination of technology. For the thesis that it is men who fight, not machines, has lost none of its validity. Or to put it another way: The combat effectiveness of a navy is determined not by the tonnage it displaces but by the people it transports.

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FEDERAL REPUBLIC OF GERMANY

ADMIRAL DISCUSSES MISSION OF NAVAL AIR FORCES

Bonn MARINE-RUNDSCHAU in German Dec 79 pp 734-7

[Article by Rudolf Deckert, Fleet Admiral Commander Naval Air Division]

[Text]

»In modern naval warfare there is hardly any task to whose accomplishment aircraft will not contribute directly or indirectly.« This statement made by the Inspector of the German Navy, Vice Admiral Günther Luther, makes the importance of the third dimension for the Federal Navy's defence mission absolutely clear.

Today the naval air arm constitutes an important and powerful means of naval warfare in the hands of the Commander Naval Forces which has not been self-evident in the varied 66-year history of the naval air arm to the same extent.

The naval air arm came into being when the 1st Naval Air Detachment (1. Marinefliegerabteilung) was organized at Putzig near Danzig on June 1st, 1913, the main task for naval aviation being reconnaissance at the time. But soon after the outbreak of World War I the field of naval aviation was enlarged by genuine combat tasks. On November 24, 1914 German naval aviators for the first time dropped bombs on an enemy naval target. During the war the further development and improvement of the new means of naval warfare made rapid progress. The same was true for the weapons employed by naval aviators in combat. In the course of the war naval aviators took part in action in almost every theatre of war over the deep sea, in the coastal areas, onboard ship-based aircraft, and in support of ground forces or marines.

The development of flying weapon carriers especially suited for naval warfare continued after the end of World War I and was only interrupted when the newly created branch of the armed forces, the Luftwaffe, became responsible for naval air warfare against the Navy's will. The lack of an air arm of its own directly subordinate to the Naval Command had lasting negative effects upon naval warfare in World War II and caused many a decisive failure of promising operations.

Due to the bitter experiences made but also due to the findings of foreign navies naval experts in their first considerations on the Federal Republic of Germany's rearmament including the establishment of a new Navy started from the idea that it would be paramount to give the fleet its own air arm. In this context the admirals Ruge, Zenker, and Wagner played an important role in the history of naval aviation.

On June 16th, 1956 the first Commander Naval Air Division assumed command at Kiel-Holtenau, and on June 22nd, 1958 the first squadrons of both tactical fighter-bombers and ASW aircraft were ready for commitment on Sleswick Naval Air Base. The size of the naval air arm relatively small at the beginning was brought up to its present strength by the late 1960's. Today the naval air units with their approximately 7000 soldiers represent one fifth of the total strength of the Navy. They are an integrated part of the fleet.

The mission of naval air must not be seen as being isolated but as part of the Navy's overall mission. The »Navy Concepts« explaining the way the Navy considers to fulfil its tasks substantiates the perception of the »balanced fleet«. In this balanced fleet naval fighter-bombers, reconnaissance aircraft, and helicopters are means of naval warfare in the hands of the Commander Naval Forces as well as destroyers, submarines, and frogmen. For this reason the generally phrased mission of the naval air arm reads: »Conducting naval warfare from the air«.

The following principal tasks may be deduced from this mission:

- reconnoitering from the air and controlling the sea area within the zones of operations of the Navy;
  - combating against enemy surface units and amphibious forces as well as against enemy supplies and reinforcements over the sea;
  - fighting against enemy submarines;
  - accomplishing SAR missions, and
  - transporting personnel and materiel within the scope of rescue missions.
- Other missions, otherwise typical of air forces as, for instance, defence, the fight for local air superiority, and the fight against the enemy air potential, do not belong to the tasks of the naval air arm.
- Units of the naval air arm are organic to a naval air division.

The Naval Air Division is organized into the division staff and headquarters unit, 4 naval air wings, and a naval air instruction group. The Commander Naval Air Division is in administrative command of the 1st, 2nd, and 3rd Naval Air Wings whereas they are directly subordinate to the Commander of the Fleet in combat. The Commander Naval Air Division, however, is in full command of the 5th Naval Air Wing and the Naval Air Instruction Group.

The staff of the Naval Air Division is organized into the basic command sections 1 to 6 according to the organization of an Air Force divisional staff. In addition the Commander Naval

Air Division has a special staff for naval air equipment and training in charge of the special needs of naval aviation in these fields.

The 1st Naval Air Wing at Sleswick and the 2nd Naval Air Wing at Eggebek have a total of three naval fighter-bomber squadrons and one squadron of naval reconnaissance aircraft. The squadrons are equipped with the F-104 G and RF-104 G »Starfighter« respectively, all of them assigned to NATO. The 3rd Naval Air Wing stationed at Nordholz is equipped with the ASW and long-distance naval reconnaissance plane Breguet »Atlantic« and is also assigned to NATO whilst the 5th Naval Air Wing stationed at Kiel-Holtenau will permanently remain under national command. The 1st squadron of this Wing is in charge of the Navy's SAR service and has MK 41 »Sea Kings« helicopters whereas the 2nd squadron equipped with Do-28's carries out all transport and liaison missions of the Navy. For SAR purposes in the North Sea area the 5th Naval Air Wing has alert helicopters stationed at Westerland, Helgoland, and Borkum.

The Naval Air Instruction Group is stationed at Westerland Air Base where it trains soldiers for technical service with the naval air wings unless the training has to be done at the Air Force Technical School. – The 1st Inspection of the Naval Air Instruction Group stationed at Nordholz with the 3rd Naval Air Wing plays a special role insofar as it carries out sea survival training for the whole of the flying personnel of the German Armed Forces.

On April 1st, 1980 the special staff for naval air equipment and training as well as the Naval Air Instruction Group will be taken away from the Naval Air Division and incorporated into the Marineamt (Naval Board) and the Marineunterstützungskommando (Naval Support Command) respectively.

The internal organization of the naval air wings is structurally alike and assimilated to that of the flying Air Force units.

It has the following similar elements:

- wing staff and headquarters,
- the flying wing with its two flying squadrons, one ground squadron, and the geophysical advisory unit,
- the technical group composed of a maintenance and repair squadron, an electronics squadron, and a weapon and supply squadron,
- the naval air base group organized into a naval security company, an AA unit, a transportation unit, and a medical unit as well as into heavy equipment units of the runway repair detachment, and another naval security company.

At present the naval air arm is on the point of getting its third generation of combat aircraft.

In early 1982 the 1st Naval Air Wing will be the first unit of the Bundeswehr to receive the new multi-purpose aircraft »Tornado«, whilst the 2nd Naval Air Wing will be refitted with these new airplanes from 1985 onwards. Replacing the »Starfighters« which have been modernized again and again in the meantime and have been in service since 1963 does not only entail an increase in capabilities of commitment and combat power of the naval air arm. The introduction of advanced technologies and modern methods of flying operations requires a multitude of changes in almost all spheres of the wings for which preparations have already begun. The training of technical personnel, the training and conversion of navigator-observers and pilots, changes of operational methods, the reorganization of individual areas within the wings, and a multitude of reconstruction and new construction methods on the air bases are tasks set to both the wings and the Naval Air Division already today.

The commissioning of the new *F 122* frigates which for the first time in German naval history are equipped with ship-based helicopters will entail completely new tasks for naval aviation. The ship-based helicopter of the Westland »Sea Lynx« type will be used for reconnaissance, ASW purposes, and against enemy ships from board the vessels. The technical shore component supporting the helicopters will be stationed with the 3rd Naval Air Wing at Nordholz. Incorporating the flying and technical personnel into the ship crews will also be a new task for our Navy.

In the years to come both the ASW and long-range reconnaissance aircraft of the Breguet »Atlantic« type will be modernized to increase their combat value. After the installation of modern equipment and sensors these aircraft will be capable of accomplishing their missions until the 1990's.

Another important project will consist of incorporating the command posts of the naval air wings into the new computerized system of the naval headquarters. Both the combat readiness of the naval air wings and command and control exercised on the tactical level will then gain a new quality adequate to the advanced weapon systems available in the 1980's.

Despite these far-reaching technical innovations man must, to a greater extent than ever, be the central point of all considerations for it is the soldier who has to operate the technical means and to be their master. In all our future work we have to emphasize that soldiers of all ranks will, by appropriate measures, be put in a position and motivated to reliably use these weapon systems. Only by so doing our defence readiness and capability will be made credible and the material expenditures justified.

## BRIEFS

EAST-WEST BALANCE--Berlin/Copenhagen--Berlin Governing Mayor Dietrich Stobbe expressed on Thursday in Copenhagen his concern over the current political situation. Stobbe said in an address to the German-Danish Society that the balance of strength between East and West had up to now safeguarded peace, and made the maintenance of freedom possible for West Berlin. However, this balance has been disrupted because important questions concerning arms have not been settled between the two superpowers and because new areas of conflict outside Europe have "potentially negative effects" on the European sphere. Efforts in the 1980's must be directed toward keeping Berlin politically in "calm waters." In this connection he strongly advocated the continuation of the treaty arrangements between both German states, and again welcomed the planned meeting between Federal Chancellor Helmut Schmidt and GDR State Council Chairman Erich Honecker. Stobbe is in Copenhagen for a 2-day informational visit during which he will have talks with Danish Foreign Minister Olesen. [Text] [LD101220 Hamburg DPA in German 1044 GMT 10 Jan 80 LD]

CSO: 3103



## FOREIGN MINISTER VAYRYNEN'S STATEMENT ON IRAN CRISIS IS TOO WEAK

Helsinki HUFVUDSTADSBLADET in Swedish 23 Nov 79 p 2

## [Editorial]

[Text] Foreign Minister Vayrynen's answer to the United States' plea for support for the hostages in Tehran was, in itself, correct, but it could have been given a stronger formulation considering that it is not a matter of political conflict, but of the prerequisites for the functioning of the international community, writes Jan-Magnus Jansson.

There is no doubt concerning what the people of Finland think about the action against the United States' Embassy in Tehran. The event has aroused not only an unusually large amount of attention, but also an unusual amount of distress. You do not need to be any kind of expert on international law and customs to realize what is at stake. Everyone understands what a dangerous threshold has been transgressed by a government's standing behind a violent action against an embassy and using it as an instrument of blackmail against another country. For our newspaper's part, we have repeatedly taken a clear position in this matter. What has been said does not need to be repeated now.

Against this background one must see the, in part heavy, criticism which has been directed toward Foreign Minister Paavo Vayrynen's answer to the United States' ambassador who, on behalf of his government, pleaded for Finland's diplomatic support for the hostages. Finland's answer to the United States' plea, writes for example HELSINGIN SANOMAT, does not at all correspond to the position of the Finnish people.

There is reason to examine closely Vayrynen's answer according to the official notices. According to them Vayrynen said among other things that all governments, without reservation, should follow the Vienna Conventions of 1961 concerning diplomatic obligations. The conventions speak in clear language about the inviolability of embassies and their personnel and about the obligation to observe other traditional diplomatic privileges. Thus, the reference means that Finland takes exception to the Iranian attack against the United States' Embassy.

According to the same text the foreign minister said further that Finland's Government takes no position in the conflict between Iran and the United States other than to emphasize that it should be solved without violence and in accordance with the constitution of the UN. Which "conflict" is meant here is open to interpretation but it may be assumed that the words do not refer to the occupation of the embassy but to the political complications that threaten to develop because of it. In this case, this passage expresses almost a truism.

We arrive at the fact that Vayrynen's statement does not as such contain anything to which one must take exception. What is missing, however, is a direct condemnation of or at least regret over what has occurred. This, after all, would not be taking a position in a political conflict, but in a matter that affects the entire international community's manner of functioning. Indirectly, such a condemnation can actually be read into the reference indicating that everyone should unconditionally observe the Vienna Conventions. But for the general public, such veiled disapproval remains hopelessly hidden. Thus, in the eyes of many people, the official position has been characterized by lack of balance or even weakness.

We should add to the picture that Iran's diplomats have also asked for support and, as far as is known, have yet to meet with any sympathy. However, this matter has not been given the same publicity.

It is natural and important that all major political decisions on the part of Finland be subjected to critical examination. One cannot always demand that they reflect popular opinion. One can demand, however, that they represent a consistent line. With this in mind, the statement made could have been more strongly worded even if, in content, it leaves no room for adverse remarks.

9336

CSO: 3109

## SOVIETS SIGN 70 BILLION MARKKA 5-YEAR TRADE PACT

Helsinki HELSINGIN SANOMAT in Finnish 5 Dec 79 p 28

[Text] The basic trade agreement between Finland and the Soviet Union, which expires next year, will end in a surprising upturn. From this year's routinely quiet levels, trade will increase to a record 18 billion marks next year. This represents a 20 percent increase over the current year. For instance, machinery and equipment exports will remain high next year, even though the quotas for these items are already filled.

The trade agreement for next year was signed Tuesday in Helsinki. The signers again this year were Soviet Foreign Trade Minister N. S. Patolitshev and Finnish Foreign Trade Minister Esko Rekola.

The growth in trade is due largely to the increase in payments for crude oil. It was agreed that export quotas will be raised substantially over the 5-year trade agreement to pay rising oil prices.

The Soviet Union may have wished to make still larger purchases from Finland in many areas, but Finnish industry, which is experiencing a boom, could not handle any more orders than originally agreed upon. So, while trade has been weighted heavily towards imports, it may be possible for Finland to achieve a balance of trade next year with the help of industrial projects, particularly the Svetogorsk project.

Patolitshev explained the trade increase by recalling President Urho Kekkonen's appeal to the Soviet government 2 years ago to place additional orders for ships and machinery during the current 5-year agreement. "While this was not in our plans, we decided to make this concession to our neighboring country and maintain purchases of machinery, equipment and ships at the previous level," said Patolitshev.

He pointed out that the 5-year agreements usually end in a trade slump. "Since we have already purchased all the ships, machinery and equipment agreed upon, there would have been a decline in 1980 also. However, that will not be the case."

## Five Years' Trade, 70 Billion Marks

Patolitshev estimated that trade under the 5-year agreement expiring next year would exceed 12 billion rubles, or 72 billion marks. The original agreement was for 9 billion rubles, or 54 billion marks during the years 1976-80. He said that the increase was due to quantitative increases as well as to higher prices in both Finland and the Soviet Union.

Rekola agreed that trade over the 5 years has been "very high." Trade this year will increase to 15 billion marks, or 48 billion marks from the beginning of the agreement to the end of this year. He described the coming year as a bridge between the current agreement and the next basic trade agreement. "Both parties have kept in mind the Trade and Payments Agreement for 1981-85 signed over 2 months ago. It is especially important that we were able to agree upon machinery and equipment quotas at the traditional levels, though the quotas under the current agreement were almost completely filled."

Exports of ships will also remain substantial and will take up a considerable part of our shipbuilding capacity, according to Rekola. In addition, much of our metals export is machinery, which is a labor-intensive product, with the resultant benefit to employment. Metals exports constitute one-half of our total exports.

## Forestry Product Exports 2.3 Billion Marks

The export of forest products will also increase considerably over this year's quotas. Exports next year will rise to 2.3 billion marks, compared to the 1.6 billion agreed upon for this year. Much of the increase is in paper and cardboard products.

Exports of agricultural products will rise sharply from 180 million marks this year to 420 million marks. The largest quotas are for dairy products, meat and meat products.

Shipments of consumer goods--primarily leather footwear, ready-made clothing and tricot products--will increase by nearly the same amount, or 60 percent, to 600 billion marks. Furniture exports will be double this year's shipments, or 120 million marks. Leather footwear exports are set at 200 million, ready-made clothing at 180 million and tricot products at 120 million marks.

## Crude Oil Most Important Import

Imports of energy products from the Soviet Union will continue at this year's level and dominate the import picture. Crude oil imports were agreed upon at 7 million tons, the same volume as this year. Imports of diesel oil were set at 1.5 to 2 million tons and heavy fuel oils at 1.5 million tons. The quota for natural gas increased slightly to 1.05 billion cubic meters. In addition, Finland imports nuclear fuels, coal, coke and electricity from the Soviet Union.

Imports of machinery and equipment will increase to 800 million marks and become much more varied. Items to be imported include wood- and metal-working machinery, metal presses and automobiles. Other significant imports include various chemical products, fertilizers, metals, metallurgical raw materials and alloys, and wood products. Shipments of logs for lumber and pulp wood will increase by 400,000 cubic meters to 1.85 million cubic meters next year.

#### Metal Imports 3 Billion Marks

Nearly half of Finland's imports are metal products, which will increase to more than 3 billion marks, or 10 percent more than this year. This will be about one-fourth of all metal products exports next year. Foremost on the list of exports will be ships, maritime equipment, machinery and instruments, cable and steels.

Earlier agreements call for 28 ships to be exported next year. Total exports of ships will exceed 1.5 billion marks. Nearly all our drydocks have unfilled orders for ships.

Exports of machinery and equipment will total 1.3 billion marks. Most quotas include a provision allowing for shipments in excess of the quota. Leading items in this class of exports are wood processing machinery and equipment. There will also be significant increase in exports of lifting and moving equipment, mining and metallurgical machinery, and electronic machinery and equipment. A quota has now been established for medical equipment and instruments.

A quota of 240 million marks was set for other machinery and equipment. The quota this year was only 70 million marks, and the metal industry sees this increase as encouraging more variety in this export market.

9551

CSO: 3107



## LABOR RESEARCH INSTITUTE: DANGER OF 1980 RECESSION GROWS

Helsinki HELSINGIN SANOMAT in Finnish 5 Dec 79 p 25

[Text] The Finnish economy is slipping towards a new recession in 1981-82. According to a mid-range forecast by the Labor Economic Research Institute (LERI), production will continue to increase through next year.

In LERI's so-called, "unfavorable option," economic growth would stop completely in 1981-82, and unemployment would again turn upward, peaking out at 8 percent in 1982-83. "The effects of declining international development will be felt more sharply if Finland's internal development leads to accelerating inflation, declining ability to compete, and excessive tightening of the money markets. Unless we take steps to counteract this trend, we could well drift into this very direction," says LERI.

## Lower Indebtedness

LERI forecasts that drifting into a new recession would lower our net foreign indebtedness to 10 percent of the GNP by 1983. During this year alone, net foreign indebtedness has decreased from a 2-year level of 20 percent down to 15 percent of GNP. "Foreign debt and the balance of payments will therefore not stand in the way of an annual production growth rate of as much as 4 percent for the years of 1981-83," observes LERI. According to the research institute, growth at this rate would result in 4.5 percent unemployment in 1983, rather than 8 percent.

## LERI Recommends 3-Year Plan

One of the principal recommendations in LERI's report is a concentrated 3-year labor market plan with a cost-of-living provision which would take into consideration changes in the balance of trade. According to LERI, such a provision would eliminate the need to consider anticipated inflation in setting wage increases, and would force the government to follow an anti-inflationary foreign exchange policy.

## Energy Tax as an Alternative

Employer's national pension and health insurance payments could be replaced by a new energy tax, according to LERI. Sharp fluctuations in energy prices could be leveled out by adjusting the tax rate. Lowering indirect employment costs would favor labor-intensive areas while the energy tax would encourage conservation.

## Price Stabilization

The achievement of a 4 percent growth rate in 1981-83 absolutely requires stabilization of prices and costs, according to LERI. "The national economy is in good condition, which enables us to take steps to encourage growth, beginning with the 1981 budget. A vigorous, stimulating economy would accommodate a reasonable increase in real wages and a reevaluation of the stronger Finnmark," LERI emphasizes.

The research institute predicts that there will be a slight trade deficit this year. A deficit of one percent of the gross national budget, or nearly 2 billion marks, is anticipated in 1980 and 1981. In 1982, there should be a 1 percent surplus. It is felt that this surplus would increase the following year.

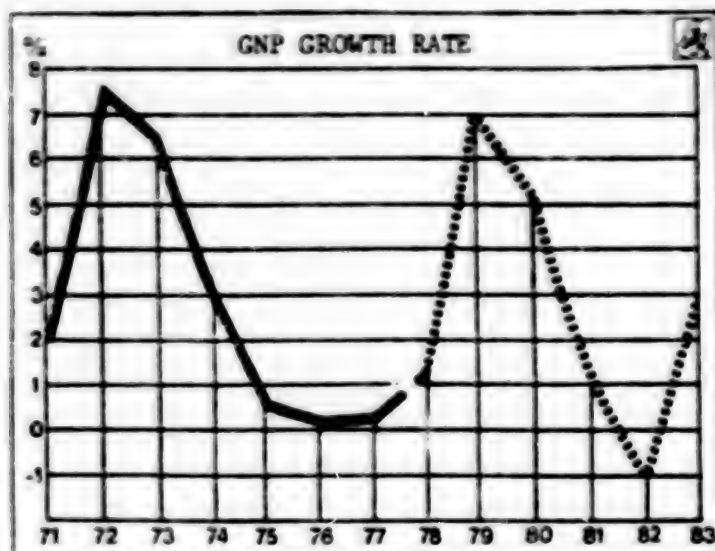
## No Help From Automation

In its forecast, LERI also discusses the effect of automation on the increase of productivity. According to the research institute, there will not be much of an effect during the period covered by the study. Instead, the institute points out, automation and other efficiencies affect the structure of the labor force. "The so-called long-term unemployed, or those who have been out of the labor force for long periods, are expected to increase in number during the next 3 years," according to the forecast. It is believed that this will exacerbate problems caused by disparities between workers trained on the job and those with formal education.

## Profits To Increase

According to LERI, the rapid growth in productivity this year and next will increase profits faster than other forms of income. "Labor productivity will rise faster than real wages," according to the institute's forecast. The report points out that wage increases will lag behind the growth in total income this year and will continue to fall short next year, despite increases in labor productivity.

"The shift in the distribution of income towards capital gains will increase demands for wage increases. Because of previously earned profits, companies will be able to grant wage increases in excess of productivity. As inflation increases, wage increases will outstrip total income, and the ratio of profits to national income will decline during predicted recessionary years. Then real income will increase faster than productivity," says LERI.



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CS0: 3107

## ECONOMIC RESEARCH INSTITUTE: GROWTH PEAK ALREADY PASSED

Helsinki HELSINGIN SANOMAT in Finnish 16 Nov 79 p 28

[Text] On Thursday Tauno Ranta, the managing director of the Economic Research Institute (ETLA), in presenting that organization's latest predictions for the economic situation, estimated that the turning point in our economic growth was in late summer of this year.

This year's 7.5-percent rate of growth is Finland's biggest in 7 years and ranks at the top of world growth. Next year the growth rate will level off at 5 percent.

In 1980 unemployment will relieve the situation a bit more but inflation will rise by 1 percent and the trade balance deficit will zoom to over 5 billion marks.

This year's 7.5-percent rate of economic growth is considerably higher than what was predicted last spring. ETLA itself predicted an economic growth rate of 4.5 percent in May.

ETLA, however, repeated its spring warning: "We must continue to avoid interpreting the release of domestic consumption and investment pressures, for years contained due to slow growth, as a sign of substantial improvement in Finland's long-term growth potential.

"Economic policy, advance organizations and businesses must be prepared to face the fact that economic prospects will begin to rapidly decline as early as the end of next year," the ETLA prediction warns us.

According to ETLA, the 5-percent production growth rate predicted for next year is chiefly an optical illusion and juggling of statistics. In fact, the growth rate will rapidly slow down next year.

## Exports Helped

The brisk rate of growth the economy has thus far enjoyed is based on help from exports. The volume of goods exports will this year have grown at the same 7.5-percent rate as the entire national economy.

Lumber industry exports have increased at a particularly rapid rate. Lumber companies account for two-thirds of all export growth. The lumber industry's own exports have increased by a fourth. Thanks to the sponge effect of exports, this year we will for the first time be able to almost fully exploit the new capacity achieved by the lumber industry since 1974.

"However, next year we must prepare ourselves for a recession," ETLA interprets the gloomy prospects for exports. In Western Europe and especially in England the increase in demand is slowing down. At the same time competition from the American lumber industry is once again stiffening in Europe.

Next year exports will increase by no more than a couple of percentage points.

Next year exports will no longer maintain the declining economic growth; rather domestic demand, which, however, will also rapidly decline toward the end of the year, will.

#### "Economy Is Not Overheating"

"It is a question of a sudden shift from rapid growth to a very slow growth," Research Director Pentti Vartia summarized the contents of the ETLA economic review.

"Since the unemployment situation is still a difficult one, there is at the present time no reason for stressing the danger of overheating," Managing Director Ranta affirmed.

Because there should be no danger of overheating, ETLA views plans to check the economic growth rate with caution.

"Although investments have begun to increase, they are still at a low level and, from the standpoint of future development, indispensable investments in production should not be restricted," Ranta emphasized.

In ETLA's opinion, the money policy should not be inordinately tightened. "Obviously, we should try to shift public demand and household economy purchasing power to the second half of next year rather than begin to introduce a strict policy of tight money," ETLA advised.

The economy has sufficient momentum for industrial investments to increase 20 percent this year and 25 percent next year. Paper industry equipment procurements have increased in the wildest fashion. Next year the center of gravity will shift to investments in the metalworking industry and home construction operations.



## Unemployment Easing Up

Thanks to the hitherto high rate of growth of production, the ranks of the employed were increased by 45,000 workers this year. Next year that figure will drop by a half.

Last year the unemployment rate was 7.5 percent, this year 6.3 percent and next year it will be 5.5 percent. About 10,000 people a year still emigrate.

Thanks to the improved employment situation and tax relief measures, among other things, the real purchasing power of our household economies grew 6.5 percent this year, which, according to ETLA, is a particularly high figure. Next year the growth rate will be 3 percent.

A reflection of the growth in real income is the fact that during the first half of this year, for example, auto sales increased by almost a fourth over those of last year. During that same period, consumer goods imports began to rise sharply.

Both last year and this, the rate of inflation was 7.4 percent. According to the ETLA estimate, next year the rate will climb to 8.3 percent.

## Ability to Compete Being Resolved

ETLA explains our hitherto surprisingly swift growth as being due to the export industry's positive ability to compete, which in turn was thanks to devaluation, a moderate income policy and government measures "aimed in the right direction, if belated."

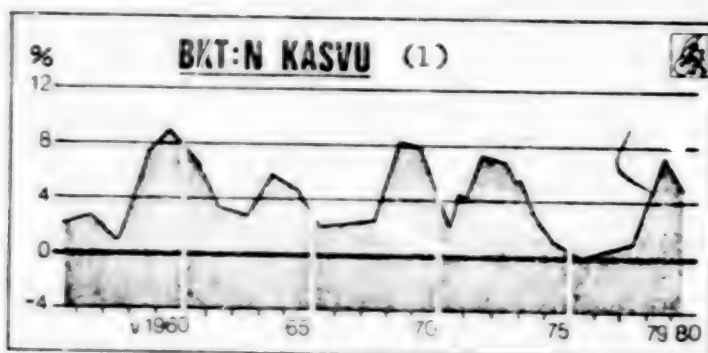
"Last year's experiences have shown that maintenance of a sufficient and relatively constant ability to compete should be one of the main functions of our economic and industrial policies," ETLA emphasized.

ETLA has based its predictions on the fact that next year we will be making a decision on income policy, which will not weaken our ability to compete below that of this year. In terms of ETLA's calculations, this means that "the level of wage-earners' incomes would slide upward next year to an annual level of 9.5 percent."

However, ETLA notes that "a more moderate wage decision than is now assumed would be more desirable from the standpoint of future development. The opportunities offered by the growth spurt now in progress would thus be used to strengthen the machinery of production and to provide jobs rather than to try to raise the incomes of now-employed workers."

The ability to compete is necessary if only because the trade balance deficit, which in the meantime had shrunk to nothing, will next year once again grow to be rather big. According to the ETLA estimate, the deficit

came to 500 million marks this year but next year it will already be 11 times that, or 5.5 billion marks. Research Director Vartia, however, claims that this balance deficit is still fully manageable.



### Etlan ennusteet (2)

	1979	1980
BKT (3)	+7,5 %	+5 %
Tuonti (4)	+15,5 %	+9,5 %
Vienti (5)	+7,5 %	+2,5 %
Työttömyys (6)	6,3 %	5,5 %
Inflaatio (7)	7,4 %	8,3 %
Kauppataase (8)	-0,5 mrd mk (9)	-5,5 mrd mk (9)

#### Key:

1. GNP growth
2. ETLA predictions
3. GNP
4. Imports
5. Exports
6. Unemployment
7. Inflation
8. Trade balance
9. Billions of marks

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CSO: 3107

## ELECTRIC POWER LINE FROM USSR NEARS COMPLETION

Helsinki HELSINGIN SANOMAT in Finnish 16 Nov 79 p 28

[Text] Lappeenranta (HS)—By the end of the year a new electric power line from the Soviet Union to Finland is to go into operation. The stretch of this 400-kv power line construction project located on the Finnish side was completed Thursday. On the Soviet side, the poles have already been set up as far as the border but several lengths between poles just before the national border have not yet been strung.

After completing their job on Thursday, the Finns celebrated at the job-site near the national border at Keskisaari near Vainikkala. In addition to the Finnish construction workers, Soviet electrical experts and representatives of the border patrol were also present.

The event was livened up with the blast of two loudspeakers. Together with Soviet LENERGCO [expansion unknown] Deputy Chief Engineer Victor Stepanov, Imatra Power Company Power Line Division Manager Jaakko Laine set off two approximately 300-gram explosive charges by means of which the ends of the leads extending to the border were joined.

Deputy Chief Engineer Stepanov said that on the Soviet side a power line to Finland had been raised which, all told, runs about 220 km from Lenin-grad to the Finnish border at Keskisaari, via Viipuri. In addition, because of the difference in current systems, a direct current transformer station was built in Viipuri.

## Power Operations Begin Next Year

On the Finnish side, two parallel 400-kv power lines have been raised, running from Keskisaari to the transformer station at Ylikkala in the western section of Lappeenranta. Power will be transmitted to the national network via this transformer station, which belongs to the nuclear power network.

Work on the power line, which is about 25 km long, was begun at the start of last year. The project cost about 12.5 million marks. Construction costs for the Ylikkala transformer station, to be completed next week, amount to about 45 million marks.

According to the agreement signed in 1975, during the next decade the Soviet Union will annually transmit about 4 billion kwh of electricity to Finland. This corresponds to about 10 percent of current consumption. Next year, since the line will not yet be in full operation, the amount of electricity imported will be about 1.4 billion kwh.

There is no new purchase of electricity from the Soviet Union on the southeastern border. Since 1961, the Imatra Power Company has imported power into Finland through the 110-kv power line at Imatra.

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CSO: 3107

## COMPANY SIGNS PACT WITH USSR TO BUILD STEEL PLANTS

Helsinki HELSINGIN SANOMAT in Finnish 14 Nov 79 p 29

[Text] The FEXIMA [expansion unknown] Company has signed an agreement to build three big industrial plants for the Soviet Union. The 30-million-mark contract was signed Tuesday in Helsinki.

According to the agreement, FEXIMA is during the coming year to build the Soviet Union three industrial steel plants and supply the materials for them. Two of the plants are to be built near Moscow and one in Estonia. Electronic devices for consumers will be manufactured in them, hearing aids, electronic calculators and to a lesser extent also computers and components for them, among others.

The agreement was signed by Deputy General Manager S.P. Polyakov of the V/O Soyuzvneshtroyimport [V/O Foreign Construction Import Union] foreign trade combine on behalf of the purchaser, the Soviet Ministry of Electronics, and by General Manager J. Norlund for FEXIMA.

FEXIMA will assume full responsibility for the construction work but it will buy construction supplies through subcontractors. The biggest of these is the Nuoraharju Company, which will supply the frameworks, roofs and walls for the buildings. Other suppliers worth noting are: the Air Industry Company, Machine Company, Dependable Construction Company, Stockmann-Orno Company and FEXIMA subsidiary, the Duraglass Company.

The Duraglass Company will supply all aluminum-frame windows and doors needed for the buildings, while the base elements will also be supplied by the FEXIMA subsidiary, the ES [expansion unknown]-Construction Company.

The combined surface area of the three plants will be 26,000 square meters. The contract includes air conditioning equipment, elevators, workshop production tools and interior furnishings.

This year FEXIMA's business turnover will be in excess of 300 million marks, but next year it could drop slightly. Industrial construction exports to the Soviet Union account for about 85 percent of the turnover and imports the rest.

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CSO: 1147

## BRIEFS

CUBAN SUGAR IMPORT UP—Havana (Reuter)—Official sources in Havana said on Tuesday that Finland is prepared to increase its sugar purchases from Cuba and in return to sell Cuba industrial equipment. During discussions with his Cuban counterpart, Marcello Fernandez Fonti, engaged in on Monday, Foreign Trade Minister Esko Rekola announced Finland's readiness to buy more Cuban sugar than before. Finland at present buys 6,000 tons of Cuban sugar a year. Since 1978 Cuba has expanded its imports from Finland. In addition to paper, it buys chemicals and pharmaceuticals as well as hotel equipment from Finland. [Text] [Helsinki HELSINGIN SANOMAT in Finnish 16 Nov 79 p 2] 11466

CSO: 3107



## USSR SHOW OF STRENGTH INDICATES WEAKNESS

LD081531 Paris LE MONDE in French 5 Jan 80 pp 1, 3 LD

[Article by Jacques Amalric: "The Dangers of Weakness"]

[Text] A show of strength or weakness? It may seem absurd to ask the question in connection with the Soviet intervention in Afghanistan. Does not the despatch of an expeditionary force of several tens of thousands of men necessarily constitute a display of a huge appetite for power? The problem merits attention beyond its moral aspect: In using its troops outside its zone of influence for the first time since the World War II, has the Soviet Union performed a good operation? Nothing could be less certain, not only from the diplomatic point of view but also on the strictly military plane.

The situation today in Kabul is strangely reminiscent of that prevailing in Saigon in 1963 just after Diem's elimination with the acquiescence of the United States: In both instances we witness the efforts of a great power installing a team of unwavering supporters charged with the task of working miracles. In both instances this transfer of power into supposedly more expert hands has been made in a bloody manner and does nothing but revive internal disputes. In both instances, finally, this has not been a "new departure" towards decisive victories, but rather a crucial stage in the implacable process of reducing local power.

## The National Reaction

The analogy between the war conducted by Washington in Vietnam and that in which Moscow has just engaged in Afghanistan will astound only those who accept at face value the explanations provided by the USSR. These explanations are, however, no more than the simplest propaganda. The facts are particularly revealing; it was quite simply to prevent the supposedly progressive regime of President Amin from being swept away by Islamic forces that Moscow threw its full weight into the battle, substituting its crack units for the failing Afghan troops and Mr Babrak Karmal for an excessively incompetent individual.

It now remains to the Soviets to accomplish the essential issue; to win the war in the name of a power which has no real existence. Witness the fact that the first task of the Soviet expeditionary force has been to disarm the regular Afghan units. To have assassinated yesterday's protegee or to have let him be assassinated and to neutralize the army to whose assistance one claims to have come, are not indications of a glowing situation.

The affair would be less serious for the USSR if Moscow could hope to impose its rule quickly. But Afghanistan is not Czechoslovakia: Losses would already appear to be high among the Soviet troops and they can only grow once the effect of surprise upon the Muslim rebels has passed. For the national reaction, more than anything else, will soon do its work. Geography will be of no assistance either: As a mountainous country, Afghanistan constitutes ideal terrain for guerrillas. Guerrillas who are a long way from being finished and against whom Soviet armor cannot achieve much.

Moscow is taking risks which are all the more considerable since it is practically impossible to control the southern frontier of Afghanistan. The rebels, whose political and tribal divisions would be smoothed over by the arrival of the "infidels," will have no difficulty in securing the aid and arms that they need: The services of America are available, of course, as well as of China--whose reaction is doubtless underestimated--of and numerous Islamic countries who will not be able to remain insensitive to the "normalization" of a fraternal people.

In fact, too much importance is being attached to the impact of this new crisis upon U.S.-Soviet relations and not enough to its global consequences. The superpowers have accustomed us to periods of tension, to contests with weapons: But their nuclear arsenals are there to limit these confrontations to conflicts via interposed third powers. Once more one should look to the third country: Pakistan, first, which risks feeling itself in desperate straits if Mrs. Gandhi, ready to play off the USSR against China, wins the parliamentary elections; China, next, whose fear of being encircled can only be strengthened by the invasion of Afghanistan, a year after the Vietnamese invasion of Cambodia; the Middle East countries--Iran first of all--where the USSR has just compromised its positions and where it could be tempted to risk a desperate course of action to set up a smoke-screen for its activities in Afghanistan.

In attempting to calculate the possible consequences of the coup in Kabul, one is ultimately struck by the extent of the gamble that the Soviet leaders have made to save face in a country which had posed no major problem until the "revolution" of 1978. Even if the ulterior domestic political considerations were not absent from his end-of-year remarks, M. Giscard d'Estaing was not wrong in affirming that the new dangers taking shape will require great composure from world-leaders. In Afghanistan the Kremlin seems to have lacked this composure, attempting to mask its weakness by a campaign of force. With all the possible "slips" that that involves. Is the "military" not exerting strong pressure on a politburo whose leaders are weakened by age and illness? One can at least pose the question.

## INVASION OF AFGHANISTAN, U.S. REACTION SIGNAL 'END OF DETENTE'

LD081207 Paris LE MONDE in French 6-7 Jan 80 p 1 LD

[Editorial: "End of Detente"]

[Text] Following the "freeze" on SALT II announced 3 January, President Carter disclosed in his Friday night speech "to the nation" the range of sanctions to be enforced against the USSR to punish it for its military intervention in Afghanistan. Many of these measures were foreseeable--no observer with any experience could believe that in the middle of an election campaign and 2 months after the seizure of the diplomats at the Tehran Embassy Mr Carter could fail to respond to the Kabul coup. Having said this, no one foresaw that he would go so far.

For the first time the United States is threatening to use a new weapon in its confrontation with the Soviet Union--that of a partial but substantial embargo on sales of American wheat to Moscow. Mr Carter's decision means depriving the Soviet Union of 17 million tons on which it was relying to make good its grain deficit resulting from an especially poor harvest. Doubts will undoubtedly be expressed about the opportunities of this measure which will no doubt "penalize" Soviet civilian consumers, who already face increasing difficulties in the sphere of food supplies, but which will in no way hinder the red army's offensive in Afghanistan. The issue has long been a topic for debate and has long divided Western experts into supporters and opponents of a flexible and conciliatory attitude toward the USSR. The dispatch of an expeditionary corps to Afghanistan will have greatly helped to clarify the issue, at least in the United States where even a number of liberal personalities have expressed their support for Mr Carter.

Has Washington's reaction been excessive in view of the moderation still being shown by the United States with respect to Iran and its cautious attitude toward Moscow in the past? Some people assert this is so. However, the situation in Tehran differs from that in Kabul. In the former the Americans are faced with a people's revolt many of whose aspects are

undoubtedly objectionable but which stems from a recent past for which America bears a heavy responsibility. Nothing similar applies to the invasion of Afghanistan, which constitutes a perfidious blow to detente, a violation of the tacit rules followed by the two big powers since the war.

The Soviet leaders could not have failed to realize that their Afghan expedition would entail serious consequences. In fact, this is the most disturbing aspect of it all: they have been willing to subject to grave risks an entire region of the world, if not the planet itself. The indignant protests which Soviet propaganda will soon be raising following Mr Carter's decisions will not alter the situation at all.

At any rate, one thing is clear: American-Soviet relations, which have known many low points in recent years, are continually deteriorating. Even the invasion of Czechoslovakia in 1968 did not make Washington adopt such a determined attitude. The reaction observed Friday has confirmed both the official end of detente and the abrogation of the results laboriously achieved at the Brezhnev-Carter summit in Vienna just over 6 months ago.

Mr Carter now believes that the occupation of Afghanistan--a country of "strategic importance"--has many implications. This act, he stated, "threatens both Iran and Pakistan and represents a step by the Soviets toward control over a large proportion of world oil resources.... Any aggression which is not resisted becomes a contagious disease."

CSO: 3100

## MARCHAIS MEETS WITH LEBANESE COMMUNIST PARTY'S HAWI

Paris L'HUMANITE in French 15 Nov 79 p 9

[Joint communique on the visit of Georges Hawi, secretary general of the Lebanese Communist Party, for talks with PCF Secretary General George Marchais, issued in Paris on 15 November]

[Text] Georges Hawi, secretary general of the Lebanese Communist Party, was in Paris 11-15 November at the invitation of Georges Marchais.

The two leaders held serious talks in that particularly cordial spirit which marks the relations between their respective parties. Other participants in the talks included Nadim Abdel Samad, secretary of the central committee and member of the Politburo, and Melhem Abou Rizk, member of the Central Committee, both representing the Lebanese Communist Party; and Maxime Grometz, secretary of the Central Committee and member of the Politburo, and Alain Gresh, member of the foreign affairs section of the central committee, both of the French Communist Party.

These discussions confirmed that the central fact of the international situation lies in the changed relationship of the forces supporting peace, independence, and socialism.

The socialist countries are pursuing their own development and working resolutely for detente. Progressive and labor forces in the developed capitalist countries are expressing their aspiration for democracy and a better life with new vigor. The developing countries assert their determination to control their national wealth and to work for the creation of a new international order.

Confronting these strivings and, at the same time, its own crisis, imperialism is trying to adapt. It aspires to win back lost positions. It does not renounce its policy of interference and it maintains zones of tension. It faces the crisis for justice of the peoples struggling for their freedom. Its response is the senseless and ruinous arms race.

None of which should obscure the essential: to understand that ever more encouraging possibilities exist today for the struggle of the forces of progress and socialism.

The two leaders considered the situation in the Middle East. The efforts of imperialism, and especially of American imperialism, to liquidate the national liberation movement, to impose its hegemony and to strike a blow against the Palestinian revolution--through Camp David, which appears less than ever to be a step toward peace--have not brought results. The struggle of the Arab peoples for their independence and sovereignty grows stronger, the PLO's prestige and its public grow larger.

The two leaders were pleased by the international recognition of the PLO as the legitimate representative of the Palestinian people.

It shows clearly that there cannot be a just and durable peace in the region without recognition of the national rights of the Palestinian people, including their right to create their own independent state with the withdrawal of Israel from all the territories occupied since 1967 and the implementation of the UN resolutions, a new era could begin in the region.

Particular attention was given to the situation in Lebanon. In violation of Security Council resolutions on southern Lebanon, Israeli aggression and attacks by extremist right-wing militia continue. They aim at dealing a blow to the Lebanese National Movement and to the Palestinian Resistance; they are so many ordeals for the whole Lebanese people, with their sad lot of daily shellings, deaths, and refugees.

Georges Marchais was anxious to assure the communists, the National Movement, and all Lebanese patriots who battle against domestic and foreign aggression, for a united, independent, and democratic Lebanon, of the active solidarity of the PCF.

Georges Marchais and Georges Hawi renewed their solidarity with all the progressive forces in the countries of the Middle East and the Mediterranean--forces whose collaboration would make a major contribution toward making the Mediterranean a zone of peace.

The two parties intend to take part fully in the struggle to see the triumph of those powerful aspirations which mark the world today, such as respect for national independence, the urgent need for a new international order, and disarmament.

They vowed their solidarity:

--with the Vietnamese and Iranian peoples who face the plots of imperialism, which strives in all ways to win back lost positions;

--with the just struggle of the Saharan people and their authentic representative, the Polisario Front;



--with the struggle for liberation of all the peoples of Africa, and particularly with those of South Africa.

Pleased with the singular quality of relations existing between their two organizations, Georges Marchais and Georges Hawi pledged themselves to strengthen still further the cooperation between the French and Lebanese Communist Parties. They reaffirmed their determination to see international solidarity develop among all the communist parties, respect for the independence of each one, equality, and non-interference.

Georges Hawi invited Georges Marchais to visit Lebanon. The invitation was accepted with great pleasure.

9516

CSO: 3100

## BANKERS CITE SHORTAGE OF INVESTMENT, LOAN FUNDS

Reykjavik MORGUNBLADID in Icelandic 30 Nov 79 p 5

[Unattributed Article: "Definite Great Shortage of Money in the Nation"]

[Text] Business and individuals are now suffering from great cash difficulties, according to information obtained by MORGUNBLADID, and there has never been such a demand for loan funds in years past. "It is definite that there is a great shortage of money in the nation today, and the situation has never been so bad, during the last 3 years," said Baldvin Tryggvason, head of the savings and loan section of the Reykjavik Area Savings and Loan, in a conversation yesterday with MORGUNBLADID.

"That is to say, more people are coming to us for extensions on promissory notes, and for changed credit terms for bonds this year than previously. Defaults have never been so many in such a short time as now," Baldvin Tryggvason also said.

Asked concerning the reasons for this, Baldvin Tryggvason said, with regard to the difficulties of individuals, that the reasons were, to be sure, many, but it was certain that people had taken out more loan obligations than they could handle, for example, for auto purchases, and the like. It has been very common that people have been asking for savings and loan assistance to pay public taxes in the wake of a drastic increase in motor vehicle installation interest rates, which are now higher than loan interest of loaning institutions.

Jonas Haralz, bank director of the Icelandic National Bank, advanced the same views, and said that it is clear that there are major cash problems, within some branches of Icelandic livelihood, as was obvious from daily operations of the bank.

"It is difficult to say just exactly how things stand with businesses today, but it is somewhat clear that conditions have worsened, to some degree, this year," said Arni Arnason, manager of the Icelandic Chamber of Commerce, in a conversation with MORGUNBLADID.

"The facts of the matter is that purchasing power has been decreasing, during the last part of this year, and that has had a quick effect on all dealings. For example, business has been very slow before Christmas. Another factor is that business taxes were increased considerably, at the beginning of last year. Taxes on business and office assets have come down hard on businesses."

"The Chamber of Commerce was prompt in cautioning on this when the tax increases were discussed at the beginning of last year, since it was clear that the increases would have grave consequences in their train."

"It may be mentioned that many requests for price increases have lain before the Price Committee for months at a time, without being attended to. It is clear that the intention has been to put off decisions until after the elections, since large debts have been accumulated both by public enterprises, and private businesses, which have to be financed by loans. The next 5th of December the new Price Council will meet for a month before taking up a single request for a price increase."

"This has given rise to complications. Bankers are attempting to cut back on loans to achieve, in a short time, favorable figures in their books for the beginning of the new year, and businesses are forced to increase sales by 13.21 percent, before the beginning of next month, whether the money is available or not," said Arni Arnason.

MORGUNBLADID contacted Gudmund Vigni Josefsson, chief of collections in Reykjavik, and asked him whether or not the chickens had finally come home to roost this year. He said that times had been good for years, and the influence of increasing installment purchase interest rates had had its effects; people will not pay a 4 and 1/2 percent installment purchase interest rate a month, or 54 percent a year, along with taxes.

11,433

CSO: 3111

## FOREIGN DEBT INCREASES 20 BILLION KRONA IN 1 YEAR

Reykjavik MORGUNBLADID in Icelandic 17 Nov 79 p 44, 18 Nov 79 p 3

[Unattributed Article: "Foreign Debt Increases 20 Billion This Year, Per Capita Debt At 1.7 Million Krona," and Unattributed Table: "The Foreign Debt and the Leftist Government"]

[Text] The rate of increase of the Icelandic foreign debt will have doubled this year, in terms of loan proposals, presented to the Althing by the leftist government. It has been planned that Icelandic foreign debt will grow by easily 10 billion krona, and the increase may reach 20 billion. Icelandic foreign debt will then amount to more than 375.6 billion krona, and a 50 percent increase in the exchange rate for 1979 has been calculated in. Per capita debt will then amount to 1.7 million krona.

During the first half of this year, income from new foreign loans amounted to a total of just under 20 billion krona, but repayments of foreign loans were 12.6 billion krona. The increase of foreign loans in the first half of this year was 7.3 billion krona. Preliminary projections for emdebiture, or loan taking, for the entire year of 1979, was 39 billion krona. According to new estimates, this projection will probably not stand, and it appears that new foreign loans will be nearly 50 billion krona around the beginning of the new year, both due to an increase in the exchange rate, and loan increases. If it is assumed that repayments of old loans will also increase, to the extent of the difference, then the increase for foreign loans will be easily 20 billion.

As has been in the news, the government of Olafur Johannesson took up a great deal of new loans during the period of its rule, which ended at the beginning of September. Last March the government negotiated a 1 million dollar loan with Den Norske Kreditbank, and the equivalent value of this in Icelandic krona is now some 392 million. The loan was planned to serve as the government's capital contribution in the Icelandic Iron Smelting Company, Inc. Then Tomas Arnason, the previous finance minister, took a loan with Hamrbos Bank in London, in the amount of \$50 million which is the equivalent of 19.6 billion Icelandic krona. The loan was taken up

for public activity. Of this loan, \$23 million has been brought back to Iceland, or about 10 billion krona.

Then there is to be mentioned the 3 billion yen loan, taken up for the ongoing fund. The value of this is 5.7 billion in Icelandic krona. According to facts, which MORGUNBLADIÐ has procured, most of this loan came to Iceland, but nothing has been paid yet to the ongoing fund. Certain state enterprises have taken loans from this money, and the Post Office and Telephone Company, which took loans for the construction of stations in Ulfsfell, may be mentioned in this context, and the Land Development Company, which obtained two large loans, the one, a \$40 million loan, for work at Hrauneyjarsfoss, equivalent to 15.7 billion Icelandic krona, which was needed to cover other foreign loans, which were short term, and on uneconomical conditions. A loan of this sort does not enter in as a debt increase, since only a debt change is in question.

ERLENDAR LANTOKUR 1979 (1) MILLI JARÐAR (1)



Key:

1. Increase of foreign loans in 1979: 20 billion krona
2. Repayments of foreign loans: 30 billion krona
3. Foreign loans at the end of 1978: 236.1 billion krona
4. Foreign loan obligations 1979: 50 billion krona

The graph shows how the leftist government increased the foreign debt by 20 billion krona in 1979. The figures are estimates, since final figures are not in.

At year's end, foreign debts were 236.1 billion krona. In terms of the 50 percent increase in the exchange rate, it may be expected that this debt will be 355 billion, plus 20 billion, the debt increase during the year, at year's end.

Thus, all in all, the debt will be 375 billion krona at year's end, or 1.7 million krona for each person in Iceland.

Loan obligations in 1979 were 50 billion, but repayments of old loans were 30 billion, or about that amount.

11,433

CSO: 3111



## IASM ON STATE OF INDUSTRY IN SOUTH

Naples IL MATTINO in Italian 14 Nov 79 p 4

[Text] The difficulties with production--which was lower than was observed in the central northern area--that are said to have characterized industrial activity in the south during the summer months were essentially the result of the hampering effects produced by the controversies going on at that time regarding contracts, and particularly of those in the big machinery and metals branch of industry and the branch concerned with the construction of the means of transportation.

On the other hand--on the basis of the latest IASM [Institute for Aid to the Development of the South] study of the economic situation--industrial production has continued to expand in various branches which produce nondurable consumer goods, and especially the textiles and clothing, footwear, hides and leather, food--as a result of the favorable tendency of the demand from families--plastic materials, chemical and petroleum derivatives and rubber branches of industry. The mining industry has also shown progress.

On the regional level, the IASM indicators reflect how the widespread impact of the above-mentioned controversies within the productive structure of the machinery and metals branch in Puglia had brought about--because of people who stayed away from their jobs--a cessation of the tendency toward recovery which had been in evidence earlier. Similarly, in Campagna, the agitation in the branch concerned with the construction of the means of transportation might have had an impact, but this was more than compensated for in the area of production by the satisfactory developments in the food, footwear, lumber and furniture, textiles and clothing branches.

On the other hand, there are still uncertainties in Sardegna (particularly in the chemical, lumber and cork branches), and, above all, in Basilicata and Calabria, because of the well-known difficulties of a structural nature. On the other hand, the progress of industrial production in Sicily, Abruzzo and Molise, where favorable and unfavorable factors are said to have tended to balance each other out, on the whole, has been more toned-down.

## CONFINDUSTRIA OPPOSED TO PCI POSITION ON CASMEZ

Messina GAZZETTA DEL SUD in Italian 2 Dec 79 p 13

[Text] Cosenza. Improving the extraordinary program of intervention is necessary, but suddenly tearing down the Casmez [Fund for Southern Italy] would be a mistake. In these terms, Confindustria opposed the request advanced by the communists at the meeting of the southern cadres of the party at Bari that the Casmez be abolished on 31 December 1979.

It was the director general of Confindustria, Paolo Savona, himself, who challenged the validity of the PCI's position in his speech yesterday morning at the meeting on the subjects of regional regulations and industrial policy for the south of Italy.

To get rid of the Casmez completely without first having arranged for adequate alternative legislative instruments does not seem either realistic or useful, said Savona. According to Savona, it would be desirable to continue Law 183 in force while waiting for new channels of intervention on behalf of the southern regions of Italy to be decided upon.

On the second and final day of the Confindustria meeting in Cosenza, the president of the IASM [Institute for Aid to the Development of the South], Nino Novacco, the president of the Young Industrialists, Luigi Abete, the vice president of the ISVELMER [Institute for the Economic Development of Southern Italy], Ladaga, the president of the Chamber of Commerce of Naples, Enzo Giustino, the honorable Giacomo Mancini and Francesco Principe, of the PSI, Pietro Rende of the DC, and the president of the Asi Sibari-Crati, Enzo Bilotti, spoke, among others. Disputing what Guido Carli had said in his speech on the first day of the meeting, Mancini emphasized the important role which the large enterprises and government participation must play in the development of the south of Italy. Luigi Abete assailed the top people of Confindustria themselves, accusing them of not having attacked the problems of the south "in an active and dynamic way."

The concluding speeches were given by the president of Confindustria's National Committee for the South, Carlo Violati, and the president of the Assindustria of Cosenza, Ernesto Marano.

Violati came back to the subject of the energy crisis, which had been dealt with by Carli at length and in pessimistic terms as far as the development of our economy is concerned, emphasizing the need for "shrewd use of our resources."

"From now on," Violati said, "those political forces which propose a policy of more and more long waiting to the public will be denounced as irresponsible by us."

Violati then said that he was opposed to ways of intervening for the purpose of facilitating economic development which made a distinction between rich and poor areas in the south of Italy ("that can be a paralyzing thing"), pointing out that everyone engaged in business must be given the opportunity of having financial assistance in regard to his reinvested profits.

"Labor must cost all of them less than it costs businessmen in the rest of Italy," he said; "in the more disadvantaged areas, a contribution under the heading of capital for new initiatives can be added to this type of incentive." In discussing the role which should be played by the regional governments, Violati asserted that they should stop imitating a "state with fanciful ideas of managing the economy" and perform services instead.

Marano, the president of the Assindustria of Cosenza, insisted that the "new policy for the south" outlined in Confindustria's "project for the south of Italy" should be followed, stating emphatically that improving the extraordinary program of intervention there will constitute the most important subject to be tackled in the 1980's. Finally, Marano announced the establishment of a prize for essays constituting a study which would tackle the problem of the "new policy for the south" and the prospects for development of the regions in the south of Italy.

9258

CSO: 3104

## ORVIK SEES SIGNS OF INCREASING SELF-CENSORSHIP

Oslo AFTENPOSTEN in Norwegian 27 Nov 79 p 2

[Commentary by Professor Nils Orvik: "Soviet Pressure and Self-Censorship"]

[Text] There can scarcely be any doubt that Norway has been subjected to heavy Russian pressure recently. It is not the first time this has happened. As early as 1944--long before NATO--the Norwegian Government was put under pressure by the Soviets to give up Bear Island and accept joint Norwegian-Soviet control of Svalbard. Since then the pressure has come and gone at longer and shorter intervals. It is like a big "wind machine." Sometimes it blows warm and mild and sometime hard and cold.

In international politics, small countries will always be exposed to attempts by their large neighboring countries to influence them. That is normal both in the West and in the East. What is decisive is the form such attempts to exert influence take and what they are aiming at. If one is clear about the intentions, it becomes much easier to understand the means and defend oneself against them.

In the case of the Soviets, the primary objective of their attempts to exert influence was made clear long ago. Whether the points on which pressure is applied are concerned with fish or defense, the purpose is to weaken the organizational cooperation between Norway and the big Western countries in North America and Western Europe. The firmer the connection the heavier the Russian pressure to prevent close, mutually binding cooperation. Consequently, NATO membership and cooperation in regard to defense have occupied a central position in the Russian campaign to influence Norway. The purpose is clear enough. A small country which stands alone, without cooperating with other, larger countries under agreements involving mutual commitment to cooperate, can be intimidated and enticed to pursue its Russian neighbor's wishes more easily than a country which is integrated organizationally in a pretty large joint activity, with reliable arrangements for support and assistance. If one takes the trouble to go through the former cases where Norway was exposed to heavy Russian pressure, one will find that, regardless of the circumstances of the case, the purpose always was to weaken Norway's links with her big Western allies.

The purpose of such a weakening of ties can only be to coax Norway back, gradually, to an undeclared neutralistic policy with a totally inferior national defense program which, taking into consideration the relationship of the respective forces, is just as symbolical and unreliable as that which exists in many other small countries without any alliances. Public declarations of neutrality are unnecessary. What counts is not what one says but what one does--or fails to do. If the NATO tie can be reduced to a mere membership on paper without a mutual, reliable defense organization, that purpose will have been achieved. If unity in regard to goals and means for mutual defense comes to an end, the relationship built on mutual trust will be undermined. Arrangements for mutual support will be lacking in reliability on both sides. A small country standing alone will have little chance of opposing the wishes which a neighboring country of superior power may advance. If there should be conflict between the interests of that country and those of the small country, the latter will have to give way. One does not have to look far to find examples of such a situation. What is interesting about the Russian policy of applying pressure is not the purpose involved. As has been mentioned, large countries will always try to influence the small and weak in one direction or another. What is worthy of further study is the methods the Soviets use. How is it possible, in what we regard as peacetime, to frighten and entice a nation to cooperate in narrowing down and limiting its own freedom of action in foreign and domestic politics?

In theory, three kinds of means of applying pressure are available: military, political and economic. The fact that people in a country where the power applying pressure has overwhelming military forces on that country's national territory feel forced to obey is obvious enough. One can also understand why a large amount of direct economic dependency can lead the little neighbor to adjust to the rules set down by the country applying the pressure. When Finland allowed itself to be pressured into changing its government in accordance with Russian pressure in 1958, she did so, in part, because the Finnish metallurgical industry at that time was totally dependent upon being able to continue its exports to the Soviet Union. What is much more difficult to understand is why a nation which does not have Russian forces on its national territory and also is not dependent upon the Soviet Union economically nevertheless submits to purely political means of applying pressure. How is it possible to control a small country's policies with a "wind machine" which blows cold and warm alternately?

The formula is incredibly simple. Since one cannot be on the spot with secret police and other local agencies, one has to get the little neighboring country's own inhabitants and institutions to perform, themselves, the control of opinions and speech which is a primary requirement for the exercising of political control. In a free, democratic country, nearly all opinions and political tendencies are represented by large or small groups. By giving strong public support to those who stand for the "right" attitudes and, correspondingly, by condemning the groups or individuals who stand for the opposite views, forces desiring to exert pressure can get their objectives advanced without direct participation. That is enough to regulate the big "wind machine" with suitable portions of cold wind and hot wind applied in the proper places.



For more than 50 years, the long-term Russian objective, where Norway is concerned, has been to change the direction of Norwegian foreign policy from membership in an alliance which can be relied on to standing alone in undeclared self-neutralization, but the conflict between a political line of Norwegian nationalistic neutralism and one of Western-oriented affiliation goes far back in time. The tug of war between neutralists and the people favoring an alliance with the West has been a domestic struggle for power lasting for decades which is only affected to a small extent by changes in power relationships outside of Norway. The Norwegian nationalist-neutralists regard the Norwegian supporters of NATO as their enemies in the political struggle over the orientation of the country's foreign policy. Consequently, they not only will not approvingly join those who proclaim their solidarity with a strong and reliable NATO defense are attacked in the Russian press and on the Russian radio. They also want to expand and legitimize the Russian criticism, strengthening it and using it as a means of silencing and weakening the NATO supporters in the internal struggle for political power. A weakening of the NATO groups is interpreted as a victory for the Norwegian nationalist-neutralists. The fact that it is also a victory for the goals the Soviet Union is attempting to promote seems less important. One of the principal keys to understanding Russian pressure politics and some of the statements regarding its effectiveness is to be found in that situation. If they can either create or make use of a situation involving domestic political conflict where one group of Norwegians supports neutralist views (which the Soviet Union wishes to promote) and, on that basis, fights against other Norwegians who back the Western political line in solidarity, the big neighboring country can make progress without direct involvement. If they assert in PRAVDA, IASS or other Russian "wind machines" that certain people (contaminated by NATO) or institutions are damaging relations with the Soviet Union, world peace or whatever it might be, there will always be other Norwegian power groups which will consider it to be in their own and the nation's interest to get the groups in question silenced or denounced as irresponsible and dangerous to peace and the country's security. Freely paraphrased from Style, one can say that Norwegians can best be combated by other Norwegians.

In principle, the method is the same as that which is practiced in the Soviet Union and other socialist countries. Those who are openly in opposition are isolated--not only by the state police but also by their own neighbors and fellow-workers, who come to think being hit by the ostracism, too, by emphasizing their disassociation from the individual concerned and their employment of the technique of "freezing" that individual. With cooperation by the central public and private institutions, a sort of "self-censorship" is gradually established. As a result of a tacit, coordinated command, certain things and certain views are kept out of public discussion almost as effectively as in a politically controlled totalitarian society.

Looking at the matter objectively, one can scarcely blame the Soviet Union for having foreign political objectives which are at variance with Norwegian interests. Neither can she be blamed because the Soviet leadership tries to promote those objectives with the political means available to it. What can



provide a basis for wonderment and reflection is the fact that so many of the domestic struggles for political power take place with the participants wearing blinders where foreign policy is concerned and that so many Norwegians whose national motivation cannot be questioned participate in a process of "self-censorship" which is in conflict with the entire theoretical basis upon which our democratic method of control rests.

9266

CSO: 3108

## LAPP ACTIVISTS SEEKING RECOGNITION OF SPECIAL RIGHTS

Oslo AFTENPOSTEN in Norwegian 26 Nov 79 p 3

[Article by Terje Svabo: "Conflict of Lapps among Themselves; Many Demands Confront Prime Minister"]

[text] The political workaday world is confronting the Lapp activists. After successful actions in Oslo, they had to get concrete responses from their home county, Finnmark. The report was not encouraging for the activists. Their support is extremely small. One of them who gave a speech in his home town had the worst experience. Afterwards, he just had to admit that he had encountered opposition at a meeting for the first time in many weeks. Nevertheless, it is clear that the government is faced with difficult work in connection with the Lapps' rights.

A subject which is connected with that was taken up in the question period in the Storting on Wednesday. Ragn Harnund Rossbach, of the Liberal Party, asked the prime minister whether the government will appoint a commission to straighten out the Lapps' right to property and natural wealth in the Lappish regions and formulate legal rules which can insure the same rights for them as those which are enjoyed by property owners in other places in this country. In spite of the fact that the Lapp activists have little support "on their home grounds," there is a widespread claim in Lapp circles that individual areas are in need of being straightened out and of clarification. That was also asserted at the contact meeting the government held with the Lapps in Vadso last week. During the coming months, the government must try to work out an initial concept which can be accepted by most of the Lapp groups.

The questions on which attention is going to be centered, and which were touched upon in a number of speeches at Vadso, are the following:

- Should the Lapps' special rights be stipulated in the Constitution?
- Should a legislative body for the Lapps--a "Lapp Parliament"
- such as they have in Finland be set up?

--Should that work be headed by a broad and representative committee in addition to the Lapp organizations and the government's own advisory committee, the Norwegian Lapp Council?

The Lapps themselves are sharply divided on how they view the question as to whether their rights should be included in the constitution. The NSR [Norwegian National Lappish Federation], which supported the hunger strike in Oslo, thinks it is absolutely necessary. That organization regards the Lapps as a distinctive people and thinks that they would be provided with a basis for their existence if they obtained special rights through the constitution. Among other things, they ask that a Lapp country of their own should be set up. At the meeting in Vadso, the NSR pointed out that their struggle can best be compared with the struggles carried on by aborigines in a number of other countries. The lot of the Lapps in Norway is compared with that of the Indians in the United States. The NSR regards the Lapps as an oppressed people.

The distance between that view and the one defended by the other Lapp organization, the SLF [National Lappish Confederation], was very large, and it can be maintained that it had not become smaller during the meeting at Vadso. The SLF alleges that it is not possible to mention a single point in our system of laws or in practical Norwegian politics where the Lapps are oppressed or neglected. That organization states emphatically that the Lapps' future demands can best be promoted within the existing system and in cooperation with local and central authorities.

Consequently, the SLF questions whether justice would be done in granting special rights to Lapps. At the meeting at Vadso, Oscar Varsi, the chairman of that organization, asserted that special rights for Lapps would necessarily mean that the rights of others would be restricted. Varsi believes that our parliamentary system is the most complete democracy. It is such statements which cause the Lapp activists to assert to the AFTENPOSTEN that Varsi and his organization are advocates of a self-destructing policy.

On the other hand, it seems that there is a rather good chance that they will be able to come to an agreement--at least temporarily--in regard to setting up a legislative body, or "parliament," which will belong to the Lapps. The conflict which arises is concerned with the authority which is to be granted to such a body. The NSR wants to give the "parliament" the veto right on matters which concern the Lapps while the more moderate forces can picture a body with the authority to make recommendations and give advice. However, the fact should not be overlooked that some Lapp spokesmen question the justification and the need for such a body. So how should the government organize its work on the Lapp question? At present, it has an advisory body for Lapp questions, the Norwegian Lapp Council. The leader of the council, Harald Samuelsberg, at Vadso, proposed a plebiscite to solve the problem. That idea received little support at the meeting.

Indeed, there is much greater reason to believe that Prime Minister Odvar Nordli will get interested in the suggestion of the spokesman in Finnmark, Klemet Hatta, of the Conservative Party, that a broad and representative committee be appointed to look into the question.

## POSSIBLE COOPERATION WITH JAMAICA IN ALUMINUM PRODUCTION

Oslo AFTENPOSTEN in Norwegian 21 Nov 79 p 36

[Text] The Industrial Committee of the Storting has unanimously supported the government's proposal to grant 3 million kroner to a committee which would arrange for closer cooperation between Norway and Jamaica in the area of aluminum and submit proposals to the Norwegian authorities.

The committee is to undertake a detailed technical and economic preliminary study of Jamaican plans to build, among other things, a new aluminum oxide plant which is to provide Norway with deliveries over the long term.

The Industrial Committee points out that Jamaica's share of world production of aluminum has been declining, while there has been a considerable increase in other parts of the world. Furthermore, the production of aluminum is a relatively complicated process, and the fact that the best possible technology available would be used in a new factory is of considerable importance.

The assignment of the proposed committee includes surveying the future need for aluminum oxide on the part of Norwegian producers of aluminum, and that also encompasses the factors which can affect the selection of suppliers. Therefore, the Industrial Committee does not consider it proper to express itself more specifically on the subject of insuring a supply of raw material for the Norwegian aluminum industry at the present time, but instead will await the result of the committee's work. The assumption is that that work will be completed in the summer of 1980.

9266

CSO: 3108

## NAVY PLANNING LARGE SUBMARINE ORDER

Oslo AFTENPOSTEN in Norwegian 2 Nov 79 p 25

[Article by Hans Chr. Erlandsen: "Two and One Half Billion Kroner Worth of Submarines, Requests for Bids Ready Next Year"]

[Text] Naval Defense expects to send out requests for bids on the Ministry of Defense's new submarines next year, the inspector of submarines, Commander Sivert Farstad, has told the AFTENPOSTEN. If they decide to obtain 10 submarines, that will mean a total cost of approximately 2.5 billion kroner. Norwegian shipyards will get a chance to bid, and a number of Norwegian companies are already involved in the planning work. Kongsberg Vapenfabrikk already has opportunities to deliver command, control, fire-control and navigational systems for German submarines valued at approximately half a billion kroner.

The Shipyard's Share Will Be 20 Percent

Farstad indicates that German shipyards already have shown a great deal of interest in getting the construction contract, but it is entirely possible to build such submarines in Norway, although the Norwegian shipyards presumably would then get a longer learning and breaking-in phase than the more experienced German shipyards have need for. Naval Defense prefers to have the work done by one shipyard.

It is assumed that almost half a million hours of work will be spent in building one submarine at a shipyard. However, that only amounts to approximately 20 percent of the expenditures involved. In addition, there are the engines, the batteries, systems for command, control, navigation and fire-control, communications systems, periscopes, etc. A large number of Norwegian companies have already taken part in the planning work, which has been going on since 1974.

The development of the new submarine is being carried out in cooperation with West Germany. An agreement on the governmental level in 1974 laid the foundation for the work, and a joint Norwegian-German liaison committee with headquarters in Kiel was set up. The committee's work was performed in an engineering office in Luebeck within the framework of an appropriation of 22 million DM.

"The Defense Commission recommends that 10 new submarines be provided to replace the 15 we have now," Farstad says. Ordinarily, one calculates that a submarine of the size we are talking about here will cost approximately 250 million kroner. The new submarines are twice as large as the Kobben-class submarines we have now and which were built in Germany. It is planned that the delivery of the submarines will take place during the period from 1985 to 1990. The Kobben submarines were procured between 1964 and 1967, and 25 years is regarded as the maximum age allowable for a submarine in active, operational service.

Even though Germany has taken part in the work on the submarines, that country will not obtain any ships of that type itself. Instead, they have set a program of modernization of that country's submarines in motion. As a result, Norway does not get the savings inherent in a long production series, but the German withdrawal has not had any practical consequences where the development work is concerned.

In an article in the Swedish periodical VARESTEDARNA, the head of the submarine division of the Swedish Defense Materials Department, Senior engineer Lennart Nordgren, points out that they are interested in cooperating with Norway and Denmark with respect to the future exploration of submarines. "That would mean that each submarine would be cheaper and that the ship-building industry would be able to continue to develop submarines technically," says Nordgren.

"The Swedes have urged cooperation in the construction of submarines a number of times, but we have found it most expedient to continue working together inside NATO," says Farstad, in commenting on this.

Naval Defense has looked at the submarines which are in existence at present and has not found any which satisfy the requirements one must place on ships which are to operate in Norwegian waters.

#### German Orders to the Kongsberg Vapenfabrikk for 0.5 Billion Kroner Worth of Equipment

The Kongsberg Vapenfabrikk has the opportunity to deliver command, control, fire-control and navigational equipment for the modernization of the 18 newest submarines in the West German Navy. The total cost for obtaining such systems is estimated at half a billion kroner, or just under that figure. When a Norwegian export delegation travels to West Germany next week, that will be one of the projects they will carry along to their suitcases.

Since the naval plan of 1960, the Kongsberg Vapenfabrikk has built up an extensive competence with respect to the systems we are talking about here. Among other things, that concern has gotten the contracts for the Navy's ships of the Hauk class and the new coast guard ships. During the development of the systems, the company has cooperated closely with the Navy, and particularly with the PFI [expansion unknown]. In March 1979, Norway and



West Germany entered into an agreement to cooperate in the procurement of defense material. They will try by that means to establish a basis for the intensification of that work between the two countries. One of the primary points in the agreement is aimed especially at bringing Norwegian industrial interests into the German defense procurement process earlier. Deliveries will be linked to competitiveness, but they will try to obtain a balance in their cooperation.

9266

CS0: 3108

## EFFORTS TO CREATE INTELLIGENCE SERVICE CONTINUE

Porto O PRIMEIRO DE JANEIRO in Portuguese 14 Nov 79 p 3

[Text] Creation of an Intelligence Service of the Republic (SIR) is again stirring up discussion, with reports that the present defense minister is "by nature and position, determined to expedite creation of such a service, in view of the problems of the state."

Contacted by O PRIMEIRO DE JANEIRO, an official in the minister's office would only say he had no comment on these reports regarding the defense minister's intentions. Another source in the military sector indicated: "What is surprising is that such a service does not already exist."

According to the military source, the major problem in establishing the SIR is ignorance regarding its purpose. It is not, as some suppose, to persecute people, nor to "indiscriminately maintain up-to-date dossiers on the activities of individuals"; the mission of the SIR is, in a general way, "quite different."

At this time, we were told, the nation's decisionmakers act "virtually in the dark." Since they do not have "specific data and conclusive studies on certain matters," there is no "secure information" on which to base the best decision.

Clearly, opposition to installation of the SIR originates in the "closed minds" of those who think its purpose is to "follow people around." It has not even been decided yet who would have jurisdiction over it, although proposals have been advanced in this regard for a long time.

Thus, the SIR could come under the presidency of the republic or under parliament, but always according to a scheme and composition that would safeguard the rights of citizens. Incidentally, this is fundamental, bearing in mind that in any democracy, a SIR is needed to serve the responsible structures.

"In our country," said a source contacted by this paper, "proposals for the establishment of the SIR have not been well received, for various reasons, the most important of which is related to the idea that the members of such services have no code of ethics, like doctors or bankers, a code which they must observe."

## Surprising

Our military informant said: "The best equipped to organize and maintain a service of this kind are the military." Pedro Cardoso, present army chief of staff, directed a task force which studied and organized the bases for the SIR, which are now being revised by another general officer who works within the presidency of the republic.

"What is surprising is that we have not had such a service before now," one of our respondents pointed out. He said he did not know how it has been possible to function without the SIR or a similar agency, which will have to be set up sooner or later.

6362

CSO: 3101

## BRIEFS

**CNEP FORMED--**The Portuguese Farmers Confederation [CAP], The Portuguese Industry Confederation [CIP] and the Portuguese Confederation of Commerce [CCP], as representatives of all the private economic activity in their sectors, decided yesterday to form the National Council of Portuguese Enterprises [CNEP], to provide overall coordination for their activities. The CNEP emerges as the result of a process initiated in regular meetings of the executives of the three management organizations, starting in 1975. A more formal phase followed, with the formation of the Council of Economic Activities, created at the First Congress of Economic Activities, which took place in January of this year. In creating this general management organ, its promoters sought to maintain steadfast support for the market economy and free business enterprise, while bearing in mind the specific nature of the three sectors in question, and without prejudice to their representation. According to Manuel Gamito, vice president of the CCP, the move "is the culmination of the efforts of the three associations, and answers the need for an intermanagement organization, highly important to the future of economic activity." [Text] [Lisbon EXPRESSO in Portuguese 10 Nov 79 p 18] 6362

**OLIVE OIL EXPORTS UP--**During the first 6 months of this year, Portugal exported 1,405 tons of olive oil, worth 190,000 contos, representing increases of 62 percent and 97 percent, respectively, over the same period of 1978. Olive oil imports registered a decrease for the same period. As the president of IAPO Olive Oil and Oleaginous Products Institute told ANOP, the last three campaigns in Portugal were weak, resulting in the need for imports. However, because Portuguese olive oil is worth more than imported oil, Portugal came out ahead in the trade from the standpoint of monetary exchange. In the first 6 months of this year, the country imported 1,795 tons of olive oil, worth 138,000 contos (down 50 percent and 25 percent, respectively, from 1978). Thus, from a deficit of 87,000 contos in the first half of 1978, Portugal has gone to a positive balance of 53,000 contos this year. Portugal's major buyers are Brazil, Venezuela and the United States, and Portugal's major supplier is Spain. [Text] [Lisbon EXPRESSO in Portuguese 17 Nov 79 p 18] 6362

## PSOE SECRETARY FOR AUTONOMY POLICY RESIGNS

Madrid EL PAIS in Spanish 8 Nov 79 p 13

[Text] Maria Izquierdo, secretary for autonomy policy of the Executive Board of the PSOE [Spanish Socialist Workers Party], has submitted her resignation to Felipe Gonzalez, secretary general of the party. The reason for the resignation, according to her letter, was "the impossibility of assuming full responsibility as secretary."

It appears that the real reason for the problem lies in the substantial difference of standards and of working methods between the secretary for autonomy policy and other members of the Executive Board, especially Alfonso Guerra, deputy secretary general of the party, who has personally handled the subject of the Galician Statute and other matters related to the PSOE action on autonomies.

Mrs Izquierdo limited herself, when questioned by EL PAIS, to confirming the existence of her letter of resignation, as well as the fact that she has not received a reply to it. According to the resigning executive, she had prepared an extensive report on plans for action and a position statement on the concept of the subject which had been assigned to her, a report which was "well received in various sectors of the party." Foreseeing the possibility of conflict in the Executive Board and in view of the fact that it has not yet really gotten started in this new stage, she preferred to resign. "This does not imply a break," she added, "but it is evident that they do not have the same ideas about this secretariat as I do."

Maria Izquierdo also holds a position in the Chamber of Deputies, a post she resigned when she was named member of the Executive Board of the PSOE. She argued that the same person should not hold more than one post. Her resignation from her Chamber of Deputies post has not yet been accepted.

In the Socialist Party, Maria Izquierdo represents positions close to those of Luis Gomez Llorente in another period, which later evolved toward greater moderation; her being included in the Executive Board of the PSOE at the Special Congress which was held by the party last September, was interpreted to be a "bridge" between the "Felipista" sector and other sectors, not including the "critic" group which, as is known, presented another candidate.

## FALANGISTS CREATE NEW LABOR UNION--FNT

Madrid EL PAIS in Spanish 7 Nov 79 p 53

[Text] Blas Pinar introduced yesterday in Madrid a new labor union Fuerza Nacional del Trabajo [National Work Force] [FNT] which he described as "the introduction of a political ideology, that of the Fuerza Nueva [New Force] [FN] into the labor scene." FNT considers a worker anyone who participates in national production, whether it be as a worker, a technician, or as an entrepreneur. Among its principles are the rejection of class struggle--it advocates the disappearance of strikes and unrestricted layoffs--and insists on the necessity of labor conflicts being solved by means of arbitration by specialized boards.

In introducing the FNT, Jose Antonio Assiego, acting national secretary, commented that the birth of this labor union is a national need. "The labor union world is in the hands of Marxist labor federations which advocate class struggle, a struggle which forces the closing of businesses and causes the collapse of the national economy. The immediate consequence is unemployment and hunger. FNT, which defends the worker's interests through greater and better production, has been created to combat this." Jose Antonio Assiego then said, "If we are not a vertical labor union today it is because we cannot be. But we do want to get to be one and to avoid the defect from which vertical labor unions suffered during the Franco regime, the infiltration of Marxists into their ranks."

The FNT is now functioning in eight provinces: Malaga, Oviedo, Zaragoza, Valladolid, Jaen (Linares), Tarragona, Badajoz (Merida), Granada and Campo de Gibraltar. It is in the process of becoming legal and starting to function in Madrid, Toledo, Cartagena, Valencia, Caceres, Huesca and Teruel. FNT has 30,000 members, who pay monthly dues of 100 pesetas. The leaders of the new union are confident of increasing "the number of workers affiliated to 400,000, which is the number of votes for Blas Pinar in the last general elections." "We are aware," Jose Assiego added, "that at the present time we have a small number of members but ours are effective votes and are of well-disciplined militancy."



Prerequisites for membership in the FNT are: a belief in God, the defense of the unity of the country and the defense of social justice. All activists of FN in the labor union field have the obligation to join the FNT.

9204

CSO: 3110

## ETA-PM ANNOUNCES BEGINNING OF 'THIRD PHASE' FOR REALIZING DEMANDS

Madrid EL PAIS in Spanish 14 Nov 79 p 13

[Interview with Basque Fatherland and Liberty Group (pm) [political military] in Southern France by EL PAIS; date not given]

[Text] "We wish to announce that if the government does not start releasing the Basque prisoners, we are capable of initiating tomorrow what would be the third phase of the campaign "Along with the Statute, Release the Prisoners," representatives of ETA (pm) [Basque Fatherland and Liberty Group (political-military)] declared in statements made to this newspaper last week, before the kidnapping of Javier Ruperez, secretary of international relations of the Democratic Center Union [UCD]. During the entire interview, carried out somewhere in the south of France on the basis of a written list of questions, representatives of the pm group analyze the present situation in the Basque country, announce the continuation of the terrorist campaign and indicate their future plans.

EL PAIS: Does ETA (pm) think that the referendum of the Basque Autonomy Statute has clarified the political picture in Euskadi?

ETA (pm): Those people who placed their trust in Herri Batasuna [HB] on 1 March are disappointed, since this organization has not once hit the nail on the head since then. HB has been engaging in demagogy, but this is a time when the people in Euskadi are already visualizing concrete things, beginning with the implementation of the statute. That is, there are people who have been able to see the need for alternatives at municipal, provincial and national levels which HB does not offer them. It is for this reason that some of the people who voted for this coalition have come to realize that the statute is an alternative which they had not previously seen and which in reality is an alternative for all the concrete problems in Euskadi and, in the end, for the national problem. These people have voted for the statute because they see something, a possibility to move forward.

One must bear in mind something else, that the statute is taking deep root in Euskadi. For this reason, there may be a large percentage within the 30 percent of the people who voted in the general elections for HB who, nevertheless, have an emotional attachment to the statute.

Within the left, two positions were taken with regard to the statute: one against the one in support of the statute as a step forward. The latter has won out.

EL PAIS: How do you explain ETA (pm)'s strong support for the Basque Statute which does not include the right of self-determination, and hence does not make possible Euskadi's independence, which is one of the objectives you have set?

ETA (pm): The statute is ambiguous enough so that the government can fix its boundaries. That is, we may have one vision of the level of autonomy we can get under the statute, the government, with the same text can have another, and the Basque Nationalist Party [PNV] still another. We want the statute to be carried forward as far as possible; that it reach the limit of its development. Once this limit has been reached, our goal would be to break through it in a forward direction. But we believe that we should first exhaust all the possibilities the statute offers. Reaching those limits is an objective that depends on the Basque left alone. The PNV has certain aspirations, especially on the economic level, but it isn't going to "get its feet wet" on key questions, as for example, on the Spanish police leaving Euskadi. The achievement of this objective is going to depend on the Basque left.

We believe that the statute will be more progressive to the extent that the Basque left is capable of creating a program and a degree of unity which will enable them to force compliance with the statute up to its limits. After that, it will be its function to force the breaking through of the statute in a forward direction.

We want the statute to be implemented and reach its ceiling because, on the one hand, we can attain a degree of organization of the workers and the people and, on the other hand, we can consolidate a party of Euskadi workers, starting with the EIA [Basque Revolutionary Party] (with whom we have no organizational ties), which would be capable of leading and satisfying the needs of those masses of workers and of the people. Within the framework we can strengthen the armed organization.

When we see that we have achieved all of that, we can begin to think of breaking through the statute in a forward direction (to do it now would be voluntaristic; we would achieve nothing and we would find ourselves on the sidelines of the class struggle) and we will then go on to fight for self-determination and the departure of all Spanish organisms from Euskadi.

EL PAIS: Will ETA (pm) use arms to achieve these political objectives?

ETA (pm): We will fight with arms against the central government so that the powers which under the statute belong to the Basque government will be transferred to it, trying to exhaust the possibilities for self-government granted by the statute. We will also fight to extract from the central government amnesty and the return of the exiles, and the incorporation of Navarre, posthaste, into the autonomous Basque community, for which reason we will support any initiative and mass movement that fights for that incorporation. We cannot allow Navarre to remain outside Euskadi.

To sum up, it would be an armed struggle against the central government with regard to everything which would mean extracting more and more changes. Amnesty will enter into this since it is the central government which has them imprisoned; the recovery of Navarre would enter into it since it is the central government which opposes its integration.

For another thing, it is necessary to point out that in Euskadi there will soon be a confrontation between the working class and the Basque bourgeoisie. That is, a class struggle which has existed in Euskadi and up to now has been rather nebulous because under existing circumstances the whole people has been against the central government. But now in Euskadi there will be legal authority and self-government. In exercising this legal authority, there will be a confrontation between the working class and the power flaunted by the Basque bourgeoisie. We can take action in Madrid so that they concede more changes while we take action in Euskadi against a manager who has unjustly fired 5 workers from a shop having 100 workers, no matter how nationalist he may be.

That is, everything we do with arms will be in order to strengthen the consolidation of a party for the revolution in Euskadi, for the organization of the workers and popular masses and for making those masses politically conscious. The armed struggle must at all times show up and unmask the bourgeois democracy so that the working class will arrive at the conviction that only socialism will solve its problems.

EL PAIS: Doesn't there exist a political solutions which will allow ETA (pm) to abandon the use of arms?

ETA (pm): To ask for the end of the armed struggle is to ask that the workers party not be built or that the Spanish army be disbanded. Armed struggle is a basic component of the revolutionary struggle. To ask us to give up our arms is to ask us to refrain from fighting for socialism and for Euskadi's independence. What we are willing to negotiate is a "cease-fire" for specific campaign, as for example, the releasing of Basque prisoners. It is most natural that Garaikoetxea and others should be very interested in exchanging amnesty for an abandonment of armed struggle by us, but we will not negotiate it under any pretext. Anyone who proposes to us a permanent cease-fire is wasting his time.

The armed organization has the task of developing an armed mechanism capable of guaranteeing the success of the insurrection when it takes place. This is the strategic purpose of the organization. But this has to be intimately related to the struggle of the masses and with the party directing the process.

EL PAIS: You spoke of amnesty as one of the cases in which ETA (pm) would be willing to negotiate a "cease-fire." Do you sincerely believe that an amnesty at this time would help to solve Euskadi's problems?

ETA (pm): We have already said that the subject of amnesty is deeply political. The autonomy statute cannot function as long as there is a single prisoner in jail. The Basque bourgeoisie is aware of the fact that without amnesty it is almost impossible to govern. If the state has advocated a political solution to the problem of Euskadi, we think it will grant amnesty because otherwise this country would be virtually ungovernable.

In the short run, the statute provides an unbeatable opportunity to get all Basque prisoners out of jail. As always, we will add the armed struggle to the campaigns which develop for amnesty. We will endeavor to strengthen that struggle in any way we can, but we will of course do it with a type of action which will not obstruct the release of the prisoners.

On this point, we wish to announce that if the government does not start releasing the Basque prisoners we are capable of initiating tomorrow what would be the third phase of the campaign "Along with the Statute, Release the Prisoners," and we would drop it if they really started releasing them. If this is not done shortly we will launch it immediately. Let them abide by the consequences.

EL PAIS: When ETA (pm) speaks of the release of all the Basque prisoners does it also refer to those belonging to ETA (m) [military] and the "autonomous commandos?"

ETA (pm): Yes, this is the case. We believe, looking at it objectively, that all the prisoners that are in the jails have fought in one way or another for the statute. For this reason, now that it has been achieved, they should be released. We make no distinction between our own prisoners and those of ETA (m) and the "autonomous commandos." We will never negotiate the release of our prisoners alone. We know perfectly well that they are all hoping for amnesty under the statute.

The last weapon that the partisans still have for killing the statute is that the prisoners should not be released; to the extent that they remain without freedom the statute will not materialize. In this context we include the last actions taken by the "autonomous commandos."



Touching on the subject of amnesty, the last action taken by the "autonomous commandos" was truly terroristic because they have been unable to show in what sense German Lopez was the enemy of the Basque working people and we believe that before shooting someone it is necessary to show why he is being shot, whether he is a capitalist or not. What is clear is that this type of action makes the release of the prisoners more difficult.

We ask ourselves whether the persons who took that action really want the prisoners released. We think that they do not want it, and the proof lies in that the "autonomous commando" prisoners themselves condemn the action because they realize that their release is being made more difficult. We believe that they are not interested in amnesty being granted them because it endangers their very existence.

EL PAIS: How does ETA (pm) evaluate the "autonomous commandos?"

ETA (pm): The "autonomous commandos" organization is completely outside ETA. There is no connection between ETA (pm) and the "autonomous commandos," even at the level of the sale of arms. At a certain time they came to us to buy arms and we told them that we'd sooner let them rot than sell arms to them. That is the only contact we have had with them in the 2 years they have existed.

To say that ETA is behind the "autonomous commandos" is the same as saying that ETA is behind GRAPO [First of October Armed Revolutionary Group]. We believe that they are going to commit more foolish acts. But the most dramatic thing is that the PSOE [Spanish Socialist Workers Party], the PC [Communist Party] and its fellow travelers and the government itself are so interested in insisting that ETA supports the "autonomous commandos." In the case of German Lopez, they have demonstrated that they are, politically speaking, irresponsible or a ring of provocateurs. If their idea was to harm the reform movement they have of course become confused; an action such as this benefits it.

9204

CSO: 3110



## CATALONIAN STEEL TO END FISCAL YEAR IN RED

Madrid ABC in Spanish 24 Nov 79 p 38

[Article: "The Catalan Metallurgical Industry Will Again Close Its Present Fiscal Year With a Deficit"]

[Text] Barcelona, 23 November.--The Catalan metallurgical industry which had started 1979 with relatively optimistic estimates (a 3.3 percent increase in real production had been projected) will close its fiscal year with a deficit once more (a drop of 1 percent), according to the report of CEAM [Metallurgical Study and Counseling Center].

This deficit follows the gradual deterioration in demand--CEAM noted--both domestic and foreign, which has affected the industry mainly from the middle of the year. But what is really serious is not the larger or smaller drop in production, considered in isolated manner in 1978, but rather the already lengthy crisis situation experienced by the metallurgical sector and which has evidenced itself seriously since the end of 1974. It is necessary to take into account the fact that if we rate the 1974 production as 100 the corresponding index for 1979 would be 93.8 percent.

The leading sector of Catalan industry is therefore experiencing some particularly difficult moments as was noted by the president of CEAM, Jose Maria Ardevol Vidiella, in the speech that he delivered before the general assembly of that organization's members.

Similarly, he noted that gradual deterioration in the sector's export activity (strongly promoted as a consequence of the domestic market's weakness) before a series of circumstances and events--the exchange rate of the Spanish peseta, differential inflation--have had a very negative impact on the competitive position of the sector. In this same connection the now existing normative plan which tries to raise export duties will, if approved, aggravate the already touchy situation of many firms in the sector.

After analyzing completely the evolution of the metallurgical sector in 1979 and its prospects for 1980, a year which in his eyes does not theoretically offer prospects for recovery, the president of CEAM ended his report with

some intermediate-term considerations in which he noted that once the structuring stage of our democracy is completed the hour will already have arrived for dedicating ourselves entirely to rebuilding an economy which, as was seen and is manifest, is declining alarmingly, singling out the following among other fundamental issues that have to be resolved: The control of labor relations, the improvement and restructuring of Social Security, the adaptation of the financial system to the needs of businesses, and the development of exports.

2662

CSO: 3110

SPAIN

BRIEFS

ARMORED VEHICLES--The Spanish army will shortly receive 248 M-113 armored vehicles of various types and, in addition, it will receive 100 AMX-30 tanks. The contracts for this equipment were recently signed. The first order amounts to 33.7 million dollars, while the value of the order awarded to French industry is not known. [Text] [Paris DEFENSE INTERARMEES in French Jan 80 p 6]

CSO: 3100

## PESSIMISTIC TONES OVERSHADOW OPENING PARLIAMENTARY DEBATES

Stockholm NORDISK KONTAKT in Swedish No 14, 1979 pp 959-961

[Text] The eighties--characterized by shortages, hard times, and bitter medicine. This was the basic theme of this fall's general political debate on 24 and 25 October where the size of and increases in the public sector were in the forefront.

Prime Minister Thorbjorn Falldin (Center Party) called for economy in all areas and pointed out that there will not be much left at the negotiating table after pensioners, the sick, and families with children have received their share.

Finance Minister Gosta Bohman (Conservative) was in total agreement.

"Even if all available means were to be used, it would be impossible to increase public expenditures at the 1970's rate of 6 percent annually," he said. "A reduction to 5 percent next year will still mean increased costs of 14 billion that would require 6 billion more in tax revenues."

Opposition leader Olof Palme (Social Democrat) agreed that restraint is a necessity. But in what areas does the government want to mount the attack, Palme wondered. "Is it health care, is it food, or what is it we are to cut back," he asked.

Liberal Party leader Ola Ullsten defended the idea of examining long-standing expenditures, as well. They are not always more urgent than new needs. Economy does not only apply to social expenditures but also, for example, to industrial investments that have been made to hold employment up, he said. In this area, too, the attitude must become more severe.

VPK (Left-Wing Communist Party) Leader Lars Werner believed that the government's statement gives Gosta Bohman free rein to carry out the same antilabor policies as the last time he was finance minister. The labor movement must mobilize its members to a united struggle against the bourgeois antilabor policies and create broad mass movements, Werner said and advocated, among other things, a rent freeze.

One fundamental cause of the economic problems is the increased oil bill. All speakers agreed on this. However, what they did not agree on was to what extent oil prices had contributed and what the policies in this situation should be. How is the common pie--which cannot be expected to grow significantly--to be divided? And what values must primarily be upheld?

Olof Palme (Social Democrat) stated that his party is not at all averse to broad solutions in parliament. Content is all-important in politics. If possible, they will consider proposals during the upcoming negotiations on 1980's taxes. But substantial changes in the proposals must be made before the Social Democrats will be able to back them.

Thorbjorn Falldin (Center Party) promised openness in the negotiations but, like Ola Ullsten (Liberal Party), he believed there were unreasonable marginal effects at ordinary income levels for industrial workers and salaried employees.

Palme (Social Democrat) and Bohman (Conservative) entered into a heated exchange concerning taxes:

"Can Bohman admit that his promise to lower taxes was a bluff? One message came across at all of the Conservatives' public meetings: Lower taxes. Now you have the power. Lower taxes if you have the money for it," Palme said.

Gosta Bohman (Conservative) denied this version of history and pointed out that he had only promised to "work for" lower taxes. He had added that restrictions on buying power may be necessary.

Kjell-Olof Feldt (Social Democrat) accused Budget Minister Ingemar Mundebo (Liberal Party) of misleading the voters during the campaign concerning the need for an increase in interest rates.

"But after the election he has let the mask fall. Two days after the election, the new crisis in the Swedish economy was proclaimed. On 26 September, interest rates were increased with the expressed purpose of restraining the flood of currency which, by the way, he had denied existed."

The budget minister did not agree that he had misled the voters.

"I did not do it to salvage nonsocialist votes," he said, "but out of concern for the Swedish economy."

Industry Minister Nils G. Asling (Center Party) revealed that the government is planning a new proposal for small businesses.

"The smaller businesses play a decisive role in the renewing of industry," he said. However, these companies are worse off than the larger ones with respect to risk capital. In many cases it can be necessary for example for the state to form a special investment company to go in temporarily as

minority owner in small businesses. Another model is for the state to make it easier for investment groups to form investment companies, concentrating on small businesses.

#### New Forms of Child Care

"Society's task is to satisfy the need for more day care places while at the same time trying new forms of child care, for example the three-family system of sharing child care," Social Minister Karin Soder (Center Party) said. She promised to contact immediately the Association of Communes to discuss how the child care plan of 1976 could be carried out. The goal of 100,000 day care places for the years 1977-1981 shall be accomplished.

However, Social Democrat Birgitta Dahl was not satisfied with this announcement and sought concrete measures to speed up the increase. A comprehensive plan for development in child care should be worked out and presented to parliament, she demanded.

Both speakers agreed that society must direct its efforts toward improving conditions for children and young people.

#### Campaign Needed Against Drug Abuse

The great problem of drug abuse was also taken up in the debate. Many speakers from different parties called for a reevaluation of previous alcohol and drug policies and for joint measures to take care of the problem.

"Together, we have the responsibility of engaging as many people as possible in a people's campaign against drug abuse," Social Minister Karin Soder (Center Party) said.

She emphasized the importance of popular movements in such an action. This caused Evert Svensson (Social Democrat) to point out that in this case the popular movements must have more money. The nonsocialist parties have been negligent in this matter, he said.

"We Social Democrats have made a proposal concerning how the problem should be tackled. We recommend, among other things, formation of a committee directly answerable to the government that will take up the task."

The social minister answered that she had already contacted the other cabinet ministers who deal with questions of alcohol policy and discussed future forms of cooperation. However, it is not certain that this will occur according to the Social Democrats' proposal, she said.

Several speakers took up the need for restrictions.

"Alcohol abuse has had such serious consequences that we must be open to restrictions if it can be demonstrated or shown probable that they prevent or reduce abuse," said Ingegerd Troedsson (Conservative Party).

Gabriel Romanus (Liberal Party), former social minister, also believed that restrictions were necessary. But if we introduce new restrictions, they must have the support of the people.



## MORE POLISH 'ART DEALERS' ARRESTED FOR ESPIONAGE

Stockholm DAGENS NYHETER in Swedish 2 Dec 79 p 34

[Text] More "picture spies" have been apprehended. This time it is in southern Narke, in Zinkgruvan to be more exact, where three Poles--26, 27, and 35 years old--were apprehended, suspected of espionage.

The men, who claim to be art dealers, have been in the country around 3 months and they deny the charges. But prosecuting attorney Stig L. Age suspects that the three men may be spies. A number of maps and other material seen to be compromising have been found in their possession. They are maps of the area in which the men have been staying--an area where the military has a number of secret defense installations.

Now, the maps are to be examined by military experts, a task that was begun last weekend. Likewise last weekend the Security Police began to investigate the three mens' stay in the region. The three have been under Security Police surveillance for a time and they struck several days ago.

At preliminary hearings, the threesome claims to be at a complete loss toward the suspicion of espionage. They maintain that they are ordinary art dealers.

Previously, 15 Polish art dealers have been apprehended, suspected of espionage. According to Security Police Chief Sven-Ake Hjalmoth, the investigation has shown that at least some of them have engaged in espionage. Among other things, several maps were found in the suspects' possession on which Swedish military installations were marked.

However, all the suspects have been released and no charges will be pressed, since no particular individuals have been linked to the crime. According to the law, collective crimes cannot be prosecuted.

9336

CSO: 3109

## SOVIETS AGREE TO COMPENSATE SWEDES FOR OIL SPILL DAMAGES

Stockholm DAGENS NYHETER in Swedish 2 Dec 79 p 17

[Article: "Soviet Union Pays Oil Damage"]

[Text] The oil disaster in Stockholm's Archipelago last winter was caused by a spill from the tanker "Antonio Gramsky" and it is therefore likely that the Soviet Union will agree to an amicable settlement for compensation of around 15 million kronor.

This was reported by Chancellor Ingvar Gullnas, who has been in the Soviet Union to negotiate the compensation Sweden is due. Sweden will demand payment of around 115 million kronor from the Soviet Union and the International Oil Pollution Compensation Fund (IOPC) in London.

The Soviet Union is responsible for, at most, 15 million kronor of the compensation claim. This figure is arrived at by simple calculations based on the load carried by the ship that caused the damage. It has now been proven with oil samples that the oil came from the "Antonio Gramsky" and the payment of damages by the Soviet Union is thereby limited by the tanker's tonnage.

The remaining compensation, which can be no more than 100 million kronor, shall then come from the international organization in London. Negotiations are also underway with it.

"All parties are anxious for a rapid settlement," says Ingvar Gullnas. The interest alone on the compensation costs a million kronor per month.

Still, a settlement can hardly be reached before the beginning of next year, since important parts of the negotiations remain. Among them are, for example, how the Soviet Union's 15 million kronor will be divided. This money will be divided among all parties that have claims to make and Sweden is not alone in this. An agricultural collective near Ventspils has also made a claim in connection with the oil disaster.

9336

CSO: 3109

## NEW OIL FIND ON GOTLAND REPORTED

Stockholm DAGENS NYHETER in Swedish 7 Dec 79 p 38

[Text] The semistate-owned Oljeprospektering AB (OPAB), which after many years of oil exploration on Gotland was planning to wind down the Gotland oil venture, seems to have made an eleventh-hour discovery, the largest so far, of oil on the island. Now perhaps there will be a continuation of oil exploration.

It is a newly drilled well on Cementa's land near Fardume in Rute on northern Gotland that has created new hope among the OPAB oil explorers.

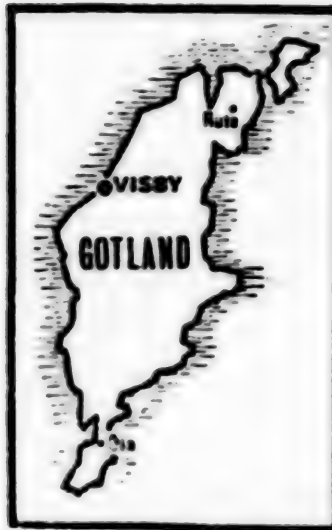
"Oil spurted up with more force than we have ever seen during our drilling on Gotland," says director Karl Olof Linberg at OPAB.

OPAB had planned to let its oil explorers drill eight more wells on Gotland. If these were without results, they were going to cease operations. Now they may continue.

This is the first time oil has been discovered on northern Gotland. All previous finds have been made on the southern part of the island.

Several pumps are still in operation in the Gotland "oil field." A well in Oja has produced the most, around 4 million tons since 1972. OPAB has pumped a total of around 6 million tons.

Seismi studies indicate that there may be oil at several other locations.



CAPTION

The largest oil find so far has been made at Rute on northern Gotland. Otherwise, the most oil has come from Oja on the southern part of the island.

9336

CSO: 3109

## 'GUNAYDIN' CITES MEMBERS OF DEMIREL'S 'BRAIN TRUST'

Istanbul GUNAYDIN in Turkish 11 Nov 79 p 5

[Text] Ankara--Special--As he works out his economic, social and political measures aimed at coping with urgent problems, Justice Party (JP) Chairman General Demirel is, like any other leader, getting assistance from a 'Brain Trust.' This 'Brain Trust,' which consists of economists and politically experienced personalities, has assisted Demirel in the preparation of plan "G" and various packages of economic measures. The same personalities are now engaged in the preparation of the new government's program. The personalities, in other words the members of the 'Economic Brain Trust,' who drew up the framework of the economic measures to be taken and implemented by the new government, are as follows:

Ekrem Ceyhan (Deputy from Istanbul-Engineer, Highways and Transport expert); Sumer Oral (Deputy from Manisa-Planning expert); Halil Basol (Deputy from Tekirdag-Economist, former Minister of Commerce); Yilmaz Ergenekon (Deputy from Bursa-former Finance and Transportation Minister).

It is noted that these personalities will, most probably, be taken into the new government by Demirel. If, however, Demirel does not give them any task in the government he will continuously make use of their opinions.

Meantime, it is pointed out that Necdet Seckinoz, former Undersecretary of Energy, and Ozer Yilmaz, deputy from Bursa, are among the persons being frequently consulted by Demirel on economic issues.

On political issues Demirel generally consults with persons who hold the assistant chairman posts in the party. Sadettin Bilgic, deputy from Istanbul; Barlas Kuntay, senator from Bursa; Necmettin Cevheri, deputy from Urfa; Nuri Bayar, secretary general; Seyfi Ozturk, deputy from Eskisehir and former minister of state, are the members of Demirel's political brain trust. Meantime, Ihsan Sabri Caglayangil, speaker of the Senate and senator from Bursa, is known as the most consulted personality by Demirel regarding economic, political and foreign policy issues.

On military matters Demirel mostly consults with Ahmet Topaloglu, former defense minister, Faik Turun, deputy from Istanbul and retired general, and Emin Alpkaya, retired commander of the Air Force.

9558

CSO: 4907

## RESIGNATIONS OF PUBLIC OFFICIALS REPORTED, FUTURE CHANGES RUMORED

Istanbul HURRIYET in Turkish 18 Nov 79 pp 1, 6

[Text] Ankara--HURRIYET--Certain high ranking officials have resigned, with a view to retire, as a counter move against the government's decision to suspend appointments, transfers and similar (administrative) actions before it obtains a vote of confidence.

Assistant Undersecretary at the Prime Minister's office Kenan Aytek has asked for his "retirement" and resigned from his post. In the same way, the Ministry of Public Works undersecretary, Mehmet Cotur, has resigned and asked for his retirement.

Meantime, rumors concerning the high ranking technocrats and bureaucrats, who will either resign or will be dismissed, continue.

The director general of the Retirement Fund, Orhan Arikan, is expected to be relieved of his duties. The assistant director General of the Retirement Fund, Sacit Boke, is seen as the strongest candidate to replace the present director general. Sacit Boke, who lost the elections as an RPP candidate from Ankara, will be appointed to this post because of his technical background.

Meantime, Orhan Okay and Mustafa Calikoglu, both members of the Retirement Fund Board of Directors and former RPP deputies, will reportedly be relieved of their duties because they have completed their term of office.

After the vote of confidence Turan Kivanc will definitely be appointed as the undersecretary to the Ministry of Finance to replace Vural Guccavas.

The former assistant director general of TPAO (Turkish Petroleum Corporation-State Owned), Dr Ismail Kafescioglu, will reportedly replace the present director general, Ismail Ertan.

Sami Guven, as assistant undersecretary at the Ministry of Trade and acting director general of the Internal Trade Directorate General, has resigned after taking his 45-day accumulated leave. Inspector Ismet Dervis has been appointed as acting director general of the Internal Trade Directorate General.



The former undersecretary at the Ministry of Education, Abdullah Nisanci, has been appointed as the Undersecretary for Vocational and Technical Education at the Ministry of Education.

It has been learned that the Security Director General, Haydar Ozkin, will be relieved of his duties during the next few days and will be recalled to Ankara. The former Assistant Security Director General, Tarhan Senel, will possibly become the new Security Director General.

Minister of Rural Affairs Ahmet Karayigit has relieved Murat Karayalcin and Ergun Unran, both assistant undersecretaries, from their posts.

#### New Director To Ipsala

Ipsala--Faruk Yilmaz has been appointed as the Director of Customs at Ipsala. Yilmaz replaces Harun Gurel, who is a relative of former minister of Customs and Monopolies Tuncay Mataraci and was relieved of his duties by Ismail Yanlar, inspector counselor at the Ministry of Customs and Monopolies.

Giresun--Following the dismissal of the Fiskobirlik (Hazel Nut Agricultural Sales Cooperatives Union) Director General, Sedat Tarhan, and the appointment of former director general Mumtaz Pehlivanli as the new director general and the suspension of the Board of Directors, the Ministry of Trade auditor at the cooperatives Union has also been relieved of his duties.

9558

CSO: 4907

## FORTY-SEVEN UNDERGROUND GROUPS NAMED, MORE ISLAMIC GROUP ACTIVITIES EXPECTED

Istanbul HURRIYET in Turkish 15 Nov 79 pp 1, 8

[Text] Ankara--HURRIYET--It has been determined that there are 47 secret organizations and fractions operating illegally and committing cold-blooded murders in our country. Officials of the Security Directorate General have briefed the Minister of Interior, Mustafa Gulcigil, and shown him charts in connection with underground organizations.

Security Directorate General officials said the number of illegal organizations working toward the establishment of an independent Kurdish state in our country has reached 10. The same officials also stated that they have determined the existence of 24 organizations aimed at bringing about socialism and communism by force of arms; 11 organizations aimed at bringing about Islamic rule (Seriatici Duzen) and two extreme rightist secret organizations.

#### Secret Organizations

Indicating that illegal organizations engage in reciprocal murders as a result of vendettas among themselves, Security Directorate General authorities listed the following organizations:

Kurdish organizations: Kurdistan Democrat Party of Turkey (Headquarters in Diyarbakir); KAWA [expansion unknown-possibly a Kurdish liberation organization]; Denge KAWA [expansion unknown]; Sivancilar [unknown Kurdish name]; Rizgari [unknown Kurdish name]; Alarizgari, Tekosin [unknown Kurdish name]; Freedom Road (Ozgurluk Yolu); National Liberation Army (Ulusal Kurtulus Ordusu-Apocular); Kurdish National Liberationists (Kurt Ulusal Kurtulusculari-KUK).

Islamic Organizations: Islamic Liberation Army (Islam Kurtulus Ordusu); Turkish Islamic Liberation Union (Turkiye Islam Kurtulus Birligi); Turkish Islamic Liberation Front (Turkiye Islam Kurtulus Cephesi); Fighters Organization (El Teskilatun Mucahidin); Universal Brotherhood Front (Evrensel Kardeslik Cephesi); Islamic Suicide Group (Seriatici Intihar Mangasi); Islamic Liberation Party-Front (Islam Kurtulus Partisi-Cephesi); Turkish Revolutionary Islamic Liberation Army (Turkiye Ihtilalci Sariat Kurtulus Ordusu); Urgent Fighters of Islamic Resurrection (Islamic Dirilisin

Acil Mucahitleri); Strugglers Against Liquor Dealers (Icki Satanlarla Savasanlar); Raiders Force (Akinci Guc); Islamic Brigades Liberation Army Cells (Islami Tugaylar Kurtulus Ordusu Hucre Elemanlari).

Extreme Right Organizations: Army To Liberate Enslaved Turks (Esir Turkleri Kurtarma Ordusu); Turkish (Nationalist) Revenge Brigade (Turkcu Intikam Tugayi).

Extreme Left Organizations: THKP-C (Turkish People's Liberation Party-Front); THKP-C (ML) (Turkish People's Liberation Party-Front--Marxist-Leninist); Revolutionary Youth (Devrimci Genclik); Dev-Yol (Revolutionary Road); Dev-Sol (Revolutionary Left); Acilciler (Expeditious Action Group); Vanguard of People's Revolution (Halkin Devrim Onculeri); Revolution Fighters Group (Devrim Savascilari Grubu); Kurtulus (Liberation); Gulden Cayan Group (Supporters of urban guerilla Mahir Cayan's wife Gulden); MLSPB (Marxist-Leninist Socialist Proletarian Union); Unity of Action (Eylem Birliigi); Revolutionary Liberation (Devrimci Kurtulus); Partisan Vanguard Unit (Partizan Oncu Birliigi); Turkish Revolutionary Communists Union (Turkiye Ihtilalci Komunistler Birliigi); TKP-ML (Turkish Communist Party-Marxist-Leninist); People's Unity (Halkin Birliigi); People's Force--Five factions (Halkin Gucu); TIKKO (Turkish Worker Peasant Liberation Army); TKP--ML--External Group; TIIKP (Turkish Revolutionary Worker Peasant Party); THKO (Turkish People's Liberation Army); Turkish Revolutionary Communist Party Construction Organization (Turkiye Devrimce Komunist Partisi Insa Orgutu).

Officials of the Security Directorate General said the underground organizations are operating in forms of cells and this year they will shift most of their activities to the secondary schools.

According to information received, those groups which are fighting for the establishment of an islamic order in Turkey--and which have given themselves names--will further increase their activities in coming days. It is stated that these groups have established themselves by seizing the opportunity created by the security forces' preoccupation with other organizations and most operate in the Anatolia-East Anatolia region.

9558

CSO: 4907

## SECURITY, MIT OFFICIALS UNCOVER LARGE SMUGGLING RING

Istanbul MILLIYET in Turkish 12 Nov 79 p 12

[Text] Tekirdag--Special--A joint operation launched by the Tekirdag Security Directorate and MIT (National Intelligence Organization) regional officials in Thrace resulted in the disclosure of a large smuggling ring--including public officials--and the seizure of two TIR (International Highway Transport) trucks and 200 million liras worth of electronic household appliances. Tekirdag Security Director Gultekin Demir said certain employees of the customs and police organizations are associated with the smuggling incident and an investigation into the incident is being carried out from several directions.

## MIT, Security Cooperation and Measures

An extensive search had been launched in cooperation with MIT regional officials in Thrace following the establishment of the fact by Tekirdag Security Director Demir that certain goods loaded in FRG and some other European countries were being unloaded in Turkey instead of their alleged port of destination in Iran, Iraq and Syria. Meantime, necessary measures were taken after it had been learned that goods loaded in Cologne, FRG by the Nockemann Firm (as published) would not be taken to Iraq but would be unloaded at a warehouse in Thrace. Scarcely had the TIR trailer, which was expected to enter through Ipsala, entered at Derekoy when it was spotted and from that point on it was followed.

## Policeman Meets TIR

In the meantime, a member of the Kirklareli security force was seen meeting the TIR trailer--with license number K-XX 266 and driven by Nazif Ozmutlu--after its entry at Derekoy. Noting that the same policeman had given the TIR driver the name of another policeman who he would see in Silivri, the security officials said: "We have established the fact that in order to secure its safe arrival at its point of unloading the TIR trailer had been met and accompanied by different teams in every district."

The TIR trailer was surrounded at Corlu by the security teams and taken to Tekirdag. During a search of the trailer millions of liras worth of

undeclared electronic household appliances were confiscated. Parcels bearing the names and addresses of persons to whom they would be delivered in Istanbul were also discovered.

The driver said: "I was going to get 3,500 DM for this job."

Speaking after his arrest the driver of the TIR trailer, Nazif Ozmutlu, said that the smuggled goods belong to a person named Urfi Cetinkaya and that in the past he too had brought in smuggled goods. Ozmutlu also explained how they had unloaded the smuggled goods on to other trucks in an empty field at Silivri together with a police commissioner of the Silivri security directorate. He then added: "For this job I was going to get 3,500 DM. From Derekoy up to the point of my arrest I travelled under police escort. Urfi told me that all along my route members of the security directorate would escort me. This happened in the past too."

Tekirdag Security Director Demir announced that the TIR driver has been detained and that on investigation regarding other persons involved in the case is continuing.

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